

Annual Report 2007

2007



INTERNATIONAL MEDIA  
THE MOVIE PARTNER



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**Important Note:** This report was originally prepared in German language. In case of ambiguities the German version shall prevail.





## Letter to the Shareholders

Dear Shareholders, Business Partners and Friends of IM Internationalmedia AG,

The past business year was a very turbulent year for the Internationalmedia Group. After the resignation of Mr. Schuermann as CEO due to personal reasons, Mr. Sascha Konzack stepped into the breach and took over the responsibility as sole member of the Management Board. Due to the default of a significant equity investor in the action film STOPPING POWER the whole project had to be cancelled. However, we were able to hand over the project with limited damage and at the same time created a promising strategic partnership with R Media Acquisition LLC. Mr. Konstantin Thoeren who had switched from the Supervisory Board to the Management Board, took over responsibility for the Group and Mr. Konzack resigned as member of the Management Board. Mr. Thoeren's position in the Company's Supervisory Board was taken by Ortwin Freyermuth, a Los Angeles based media lawyer. In this structure the Company was able to place the major part of a new issued warrant bond that together with the simultaneous reduction of the subscribed capital was the first step in securing the going concern status of the Company.

All of these changes and circumstances have led to additional costs and reductions in sales. Due to this situation, the Company is forced to question everything and to not leave any stone unturned. Through the acquisition of investors as well as strategic partners the odds of finally turning the Company around are looking rather good.

The Company will completely review its cost structure and will consequently implement necessary savings step by step. In doing so a knowledge management system shall be developed that assures that the individual know-how of employees as well as the knowledge of the Company is all the time secured. Furthermore, basic knowledge shall be reflected externally and memorized. Regarding the organizational structure of the Company transparency and commercial basic standards shall be implemented. The Company counts on general simplification of the overall processes and especially on "clarity" and "frankness".



With all these changes it will remain a fact that even the best organized and application flow optimized company cannot exist without profits. Probably we all – employees and shareholders – have to say good bye to the “glamour” of prestigious and expensive Hollywood films for the moment. For the future, the only thing that counts for the IM Internationalmedia AG and its subsidiaries is to create income. This is the goal and the challenge that the Management, the employees and the business partners have accepted and are asking your assistance for.

Konstantin Thoeren  
Chairman



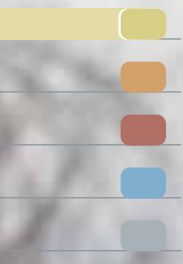
**Konstantin Thoeren**

His career in the entertainment industry has spanned more than 3 decades. Since 1975 President of PATROLA FILMS, based in Los Angeles, and PATROLA FILMS GmbH in Munich. Since 1980 member of the DIRECTORS GUILD OF AMERICA. In the years 1989 – 2000 European Representative for MOTION PICTURE GUARANTORS LTD. Toronto, and the MOTION PICTURE BOND COMP. in Los Angeles. 1995 – 2001 President and Producer at UFA INTERNATIONAL FILM & TV PRODUCTION GMBH in Germany, UFA INTERNATIONAL LTD. in London, and UFA INTERNATIONAL INC. in Los Angeles. Responsible for the production of numerous motion pictures and TV-movies. Since August 2005 member of the supervisory board of IM INTERNATIONALMEDIA AG and since October 2007, Chairman and Chief Executive Officer of IM INTERNATIONALMEDIA AG, responsible for the overall operations of the Group.



**Sascha R. Prestel**

At the age of 25 foundation of first own company with an annual turnover in its first fiscal year of 4.1 million DM. At the age of 27 the general representative of a subsidiary of the three biggest European insurance companies. At the age of 29 initiate shareholder and member of the Management Board of KITON Financial Engineering AG. By taking over the administration, investor relations and communication of a London-based film production company for the German market, he gathered a varied experience in the media industry in the years 2005 – 2007. Since March 2007, he is CEO of HUMAN ENERGY CONSULTING AG. With his appointment to the Management Board of IM INTERNATIONALMEDIA AG in March 2008, he is responsible for the areas of finance, investor relations, corporate communication and administration.



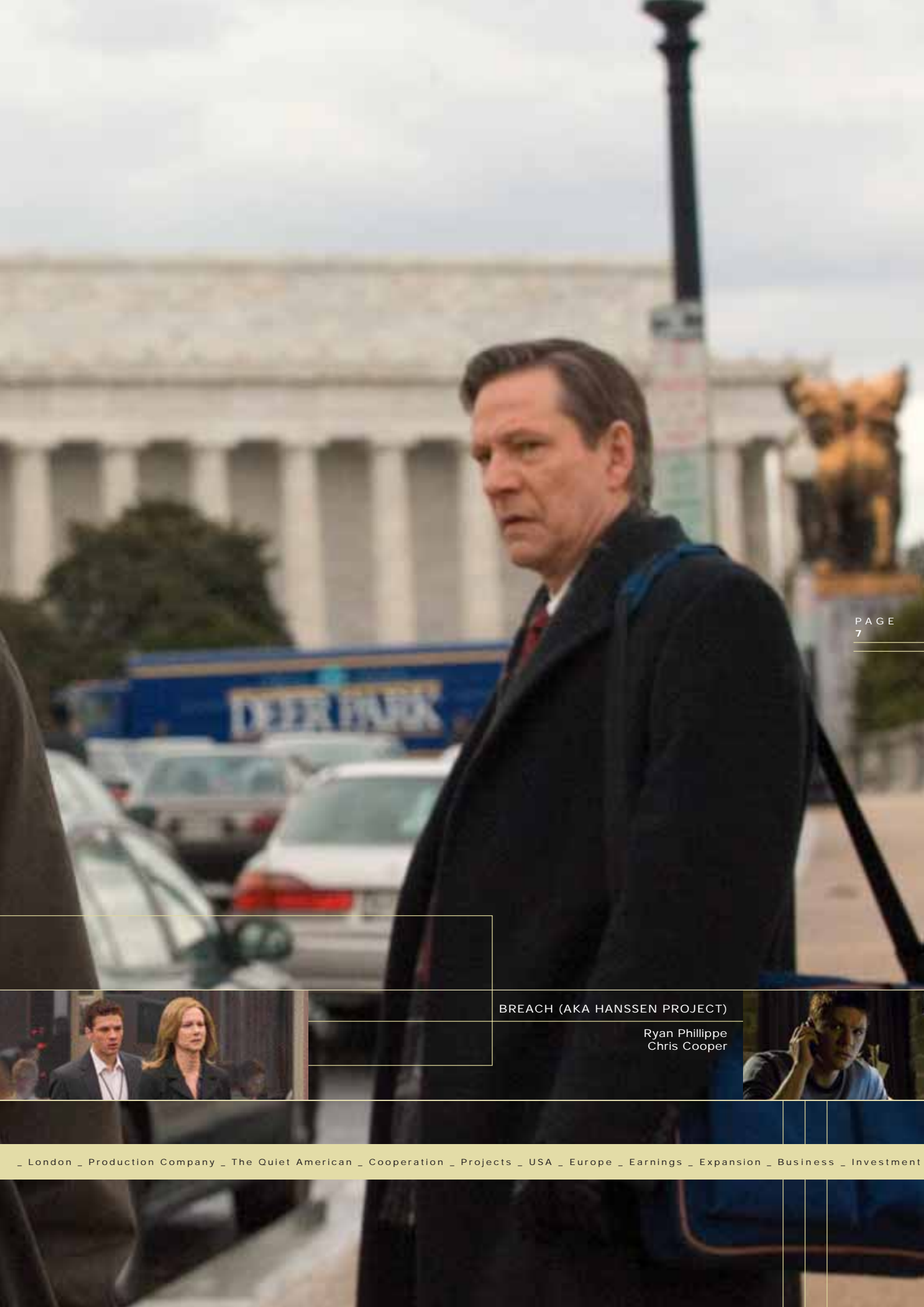
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# Annual Review



Business \_ Actors \_ Film Scripts \_ Financing \_ Marketing \_ Advantage \_ Stock Market Listing \_ International \_ Growth \_ Renée Zellweger \_ First Look Deal



BREACH (AKA HANSEN PROJECT)

Ryan Phillippe  
Chris Cooper





## Review of 2007

After the promising beginning of the business year 2007 the second half was affected by the cancellation of the production of **STOPPING POWER** and the change of the operational leadership of the Internationalmedia Group. The cancellation of the production had severe consequences for the whole Internationalmedia Group that are even continuing in the current business year. All in all, the business year 2007 was influenced by the following events:

### FEBRUARY

#### SUCCESSFUL START OF BREACH IN THE US

With a first weekend box office of \$ 10,504,990 **BREACH** (aka **HANSSEN PROJECT**) starts very successfully on February 16 in US movie theatres.

### MARCH

#### CHANGES IN MANAGEMENT

#### INTERNATIONALMEDIA GROUP EXTENDS ITS INTERMEDIA TV SEGMENT

Sascha Konzack is appointed new member of the Management Board on March 15, 2007 and takes on responsibility for the areas of finance, investor relations, and corporate communication and administration.

Tom Russo is enrolled for the leadership of the TV-sector and appointed President *Intermedia TV*. Geoff Yim takes over as Vice President Production. Russo and Yim collaborate closely with the creative management team of Scott Kroopf, President of the Motion Picture Group, and Alison Haskovec, Vice President Motion Picture Group.

### APRIL

#### INTERNATIONALMEDIA GROUP AND MEDIA 3 FILMS SECURED \$100 MILLION INVESTMENT CAPITAL;

#### INTERNATIONALMEDIA GROUP LAUNCHES NEW INTERNATIONAL SALES AND DISTRIBUTION COMPANY

Intermedia Film Equities Ltd, the UK based wholly owned subsidiary of IM Internationalmedia AG, and Media 3 Films announce that together they have secured \$100 million for a co-financed collaboration to develop up to 10 multi-cultural genre films with international appeal over the next three years.

IM Internationalmedia AG launches a new international sales and distribution company named IM Global headed by Stuart Ford previously with First Look International and Miramax.



## **M A Y**

### **I N T E R N A T I O N A L M E D I A G R O U P A N N O U N C E S C A S T F O R U P C O M I N G P R O D U C T I O N S , M A G I C I A N S S T A R T S I N U K**

Internationalmedia Group announces that John Cusack is attached to star in Jan de Bont's action thriller STOPPING POWER and Joseph Gordon-Levitt is attached as the romantic lead in producer Darren Star's directorial debut THE FROG KING.

MAGICIANS starts May 18, 2007 in movie theatres in UK.

## **J U L Y**

### **C H A N G E S I N M A N A G E M E N T**

Effective July 25, 2007 Martin Schuermann resigns due to personal reason as CEO of IM Internationalmedia AG. His responsibilities as managing director of Intermedia Film Equities USA, Inc., Los Angeles, stay unchanged.

Sascha Konzack, CFO, temporarily runs the company on his own.

## **A U G U S T**

### **C A N C E L L A T I O N O F T H E P R O D U C T I O N S T O P P I N G P O W E R**

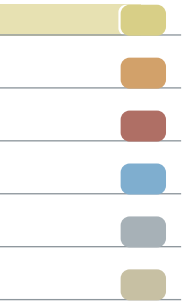
Due to the default of a significant equity investor in the action film STOPPING POWER production company IM Stopping Power GmbH (wholly owned subsidiary of Internationalmedia AG) has to shut down the production of its first motion picture. IM Stopping Power GmbH then applies for commencement of insolvency proceedings.

## **S E P T E M B E R**

### **C O N S E Q U E N C E S O F T H E C A N C E L L A T I O N O F T H E P R O D U C T I O N S T O P P I N G P O W E R F O R T H E I N T E R N A T I O N A L M E D I A G R O U P**

R Media Acquisition LLC acquires all shares of the project companies responsible for the production of STOPPING POWER and agrees to assume all liabilities in connection with the production. The new shareholder appoints new management of IM Stopping Power GmbH, which withdraws the application for commencement of insolvency proceedings. A portion of the liabilities and obligations of the production assumed by R Media Acquisitions LLC are treated as a loan to the Internationalmedia Group, which is secured by a second priority lien against the film library. With the approval of the existing contractual partners, this loan can also be repaid by a transfer of ownership of defined library films. Furthermore, R Media Acquisition LLC acquires certain development projects, in which Internationalmedia Group remains involved as a producer.





R Media Acquisition LLC also grants a short term working capital loan to Internationalmedia Group to enable the necessary reorganization of Internationalmedia Group in consultation with R Media Acquisitions LLC.

In a first step of the reorganization Internationalmedia Group divests itself of its interest in its sales company IM Global but plans to continue to use IM Global as its exclusive sales agent for future productions. In addition, Capitol Films Ltd. is appointed as the Internationalmedia Group's exclusive sales agent for the distribution of existing library titles.

## **OCTOBER**

### **CHANGES IN MANAGEMENT AND SUPERVISORY BOARD IM INTERNATIONALMEDIA AG DECIDES UPON CAPITAL RESTRUCTURING**

Konstantin Thoeren switches from the Supervisory Board to the Management Board of the Company. Mr. Thoeren is an award-winning independent producer (Dark Kingdom, The Enemy, Tourandot in the Forbidden City of Beijing, Catherine the Great, Emmy-award winner for Peter The Great, Caravans, Lilli Marleen and many more) who has also served as Head of UFA's International Dept. and Managing Director / President CEO of UFA International for many years. His position in the company's Supervisory Board is taken over by Ortwin Freyermuth, a Los Angeles based media lawyer.

The Management Board of IM Internationalmedia AG, with approval of the Supervisory Board decides to issue a warrant bond with a total nominal value of up to 3,000,280.00 euros. Each warrant bond is combined with a separable option providing entitlement to the acquisition of 140 voting bearer ordinary shares of the company with a proportion of the company's subscribed capital of 1.00 euros each at a price of 1.10 euros per share (23,102,156.00 euros in total).

As a consequence of the cancellation of STOPPING POWER, the Company notifies its shareholders in an extraordinary shareholders meeting about the loss which is in excess of half of the Company's share capital.



## **NOVEMBER**

### **SUBSCRIPTION PERIOD FOR CAPITAL RESTRUCTURING ENDS, CHANGES IN MANAGEMENT**

During the course of IM Internationalmedia AG's warrant bond 2007/2010 subscription period, which ended on November 20, 2007, IM Internationalmedia AG shareholders subscribed to 5,201 warrant bond notes with a nominal value of 20 euros per note. The company now starts to offer qualified investors the opportunity to purchase the unsubscribed 144,813 warrant bond notes through a private placement.

Sascha Konzack resigns as CFO of the IM Internationalmedia AG. He continues to support the Internationalmedia Group and its new CEO Konstantin Thoeren temporarily so that the Company's upcoming reporting, publication and disclosure requirements can be met properly.

Martin Schuermann resigns as CEO of Intermedia Film Equities USA, Inc.

## **DECEMBER**

### **EXTRAORDINARY SHAREHOLDERS MEETING DECIDES UPON CAPITAL RESTRUCTURING**

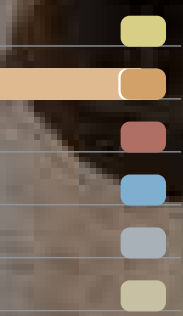
Both Management Board and Supervisory Board propose to the shareholders of the Internationalmedia AG during its extraordinary shareholders meeting on December 3, 2007 a reduction in the subscribed capital by 37,870,056.00 euros from 42,606,813.00 euros to 4,733,757.00 euros divided into 4,733,757 shares by a reverse stock split in a ratio of 9:1 (9 shares being converted into 1 share). The new (reduced) subscribed capital of 4,733,757.00 euros shall be increased by a cash contribution of up to 23,668,785.00 euros to a maximum of 28,402,542.00 euros by the issue of up to 23,668,785 new shares with a profit sharing beginning January 1, 2008. The General Meeting agrees to the reverse stock split but fails by the necessary majority to agree to the capital increase for cash.

## **DECEMBER / JANUARY 2008**

### **WARRANT BOND SUBSCRIBED / OPTION RIGHTS PARTIALLY EXERCISED**

IM Internationalmedia AG managed to place a material part of the warrant bond notes of the warrant bond 2007/2010 that were unsubscribed following the close of IMAG shareholder subscription offering period to a potential strategic partner. The investor purchased 45,000 warrant bond notes for a total nominal value of 900,000.00 euros. The investor exercised all of its option rights. On full payment of the option price the investor will receive 6,300,000 new ordinary voting shares of IM Internationalmedia AG, which will provide for up to 57.1 percent of the Company's subscribed capital.





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# Management Report



view \_ DVD \_ Increase \_ Entertainment \_ Cinema Density \_ Cinema Screen \_ Movies \_ Producer \_ Major Studios \_ Film Distributors \_ Film Titles \_



THE HUNTING PARTY

Richard Gere  
Terrence Howard  
Jesse Eisenberg



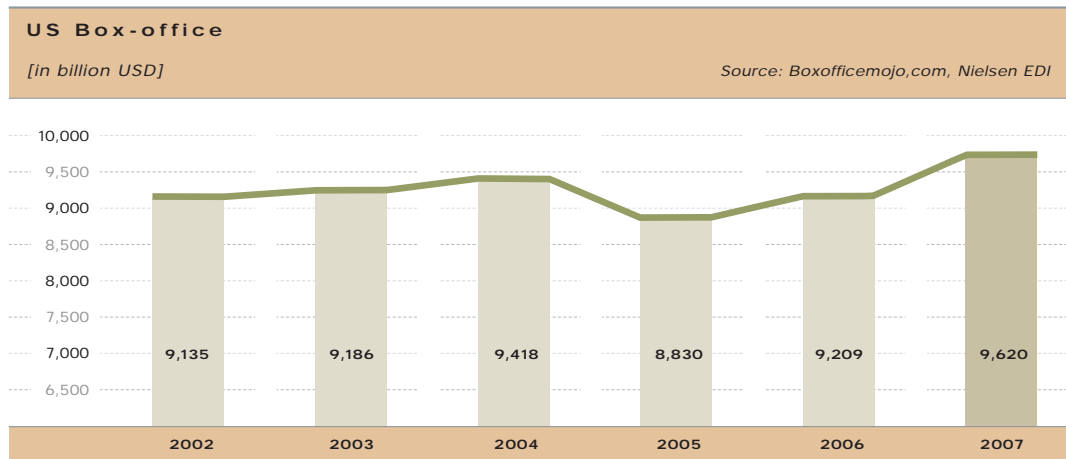


## Market Overview

During the past business year the worldwide film economic environment proved to be largely stable with most of the exploitation windows showing positive trends. The theatrical market in the US clearly improved. The progress of the German theatrical market however, has been disappointing. However, the home entertainment markets in Germany developed remarkably positively.

### OVERVIEW CINEMA <sup>1)</sup>

Total US box-office revenues increased in 2007 by 5 percent compared to the previous year and amounted to 9.62 billion US-dollars and established a new record total. The number of tickets sold in the US has increased slightly by 1 percent in the past business year. The same holds true for the average ticket price.

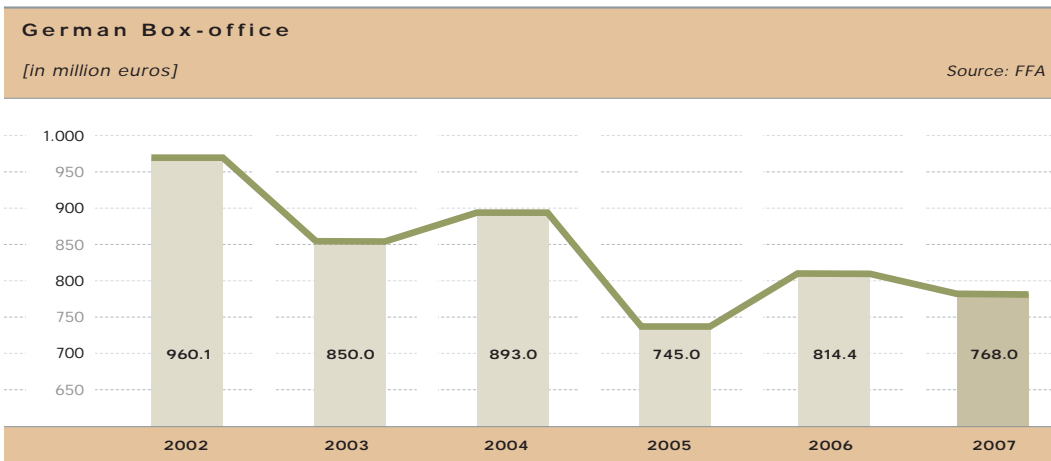


<sup>1)</sup> Please review the market data of Rentrak and Nielsen EDI in Filmecho/Filmwoche, edition 1/2008 and the market data of Filmförderungsanstalt (FFA) for the theatrical year 2007: [www.ffa.de](http://www.ffa.de)



The most successful movie in 2007 in the US was SPIDER MAN 3, for which the US box-office results alone amounted to over 336 million US-dollars. Paramount was last year's most successful US-studio, followed by Warner Brothers and Disney. Each of the six majors succeeded in surpassing the revenue mark of one billion US-dollars at the box-office.

The German theatrical year in 2007 ended rather disappointingly. Compared to the year before, the number of moviegoers decreased by 8.2 percent to nearly 125 million and fell below the total in 2005. Even with a slightly increased average ticket price by 2.7 percent, total revenues decreased to 768 million euros. The overall disappointing result is mainly due to the fact that German film productions did not contribute to the turnover as expected. Approximately one third (31 percent) of all 503 films shown in German theatres in 2007 were German productions – yet these 156 projects contributed only 18.9 percent to the turnover. The most successful movies in Germany were HARRY POTTER AND THE ORDER OF THE PHOENIX, PIRATES OF THE CARIBBEAN – AT WORLD'S END, RATATOUILLE and THE SIMPSONS MOVIE.



## OVERVIEW HOME ENTERTAINMENT <sup>2)</sup>

The US home entertainment market again showed a decrease in revenues compared to the past business years. Overall revenues in the US declined to 23.7 billion US-dollars in comparison to 24.2 billion US-dollars in the year before. Compared to the year before, DVD sales generated a disproportionate decrease of 3.6 percent in revenues to 16 billion US-dollars. The DVD rental market however proved to be stable with an increase in revenues to 7.5 billion US-dollars. According to the Digital Entertainment Group (DEG) the generated revenues by next-generation-formats such as blu-ray and HD DVD amounted to 300 million US-dollars. With a total of 13.7 million DVDs sold. Paramount's action movie THE TRANSFORMERS has been the top-selling DVD of the year according to Home Media Research, followed by Warner's CGI comedy HAPPY FEET with 13.5 million DVDs sold in the US. Disney's PIRATES OF THE CARIBBEAN – AT WORLD'S END became the top-selling sequel and takes the third position with 13.2 million DVDs sold. The DEG states that again 33 million DVD players were purchased in the US in 2007 – 12 million alone in the fourth quarter. Therefore the number of US households that own DVD players and portable devices and TVs with integrated DVD players is now approximately 230 million. 90 percent of households now have a DVD player, 60 percent of which own more than one device. The interest to purchase a High-Definition player however is rather low amongst the US population. Less than 10 percent plan to buy such a player within the next six months according to a work study of the US market research bureau NPD.

The German video industry achieved a new record in revenues in the past business year. German home entertainment market revenues from the sell-through and the rental market combined totalled nearly 1.6 billion euros, an increase of 1.0 percent. Compared to the year before revenues from the sell-through market increased by 1.8 percent to 1.33 billion euros. With 103.3 million DVDs sold, a new sales record was achieved. High-definition formats contributed with 500,000 DVDs sold with revenues of 14 million euros. The rental market decreased by 10 million euros to 274 million euros. The three most successful DVD releases were HARRY POTTER AND THE ORDER OF PHOENIX, CASINO ROYALE and NIGHT AT THE MUSEUM. PERFUME – THE STORY OF A MURDERER was the most successful German production in sixth position.

<sup>2)</sup> Please review the market data of Digital Entertainment Group (DEG) at [www.videomarkt.de](http://www.videomarkt.de)



In the tenth year since its commercial launch, DVD became the absolute number one in terms of film exploitation. DVD revenues were more than double theatrical box office revenues in 2007. According to PricewaterhouseCoopers the German sell-through market should grow by an annual average rate of around 2,5 percent per year until 2011.

### **OVERVIEW PAY TV AND FREE TV IN GERMANY <sup>3)</sup>**

In the past few years the German market had only one major pay TV provider dominating the market. However, in the course of the past business year the German TV landscape started to change. New providers along with numerous new packages and specialized TV channels significantly increased competition in the German pay TV market. For the years to come, it can be expected that TV cable network providers will continue to enter the market with their own packages of pay TV content. However, pay TV channels will still have to compete against an extensive number of free TV providers. All in all, this development along with the new formats and technologies within the home entertainment industry will lead to an increasing demand for entertainment programs.

Gross advertising revenues increased by 3.7 percent to around 20.9 billion euros in the German market. The first quarter has been the fastest growing with 6.9 percent growth whereas the mood for advertising in the other quarters was much less marked. TV advertising with 8.7 billion euros once again generated the highest revenues within the field of traditional media.

<sup>3)</sup> Please review the press release of Nielsen Media Research from January 1, 2008







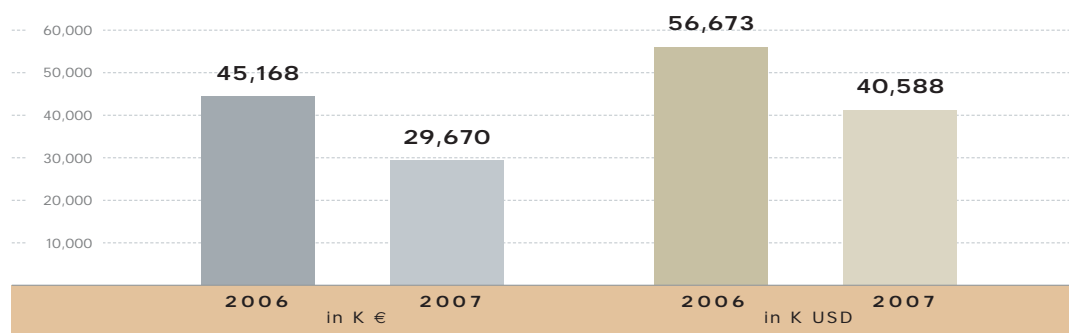
## Group Turnover and Income

### REVENUES

While the implementation of the new strategy of the Internationalmedia Group had been the focus of the year before, in the business year 2007 the Company suffered several setbacks. The developments around the project STOPPING POWER and the resulting consequences as well as the shift in the operating management of the Internationalmedia Group have been the primary focus that led to the production activity of the Company being far below expectations. Though the Internationalmedia Group managed to successfully complete and release the productions THE HUNTING PARTY (aka SPRING BREAK IN BOSNIA), MAGICIANS, BREACH (aka HANSSEN PROJECT) and ONE MISSED CALL, no new projects started production.

As the projects BREACH (aka HANSSEN PROJECT) and ONE MISSED CALL were work-for-hire productions, the decline of the revenues is mainly due to the fact that in comparison to the year before (BASIC INSTINCT 2 - RISK ADDICTION) only the smaller budget films MAGICIANS and THE HUNTING PARTY (aka SPRING BREAK IN BOSNIA) were delivered and released. A pleasing fact is that the film library contributes with a constantly high contribution to overall revenues.

Sales trend

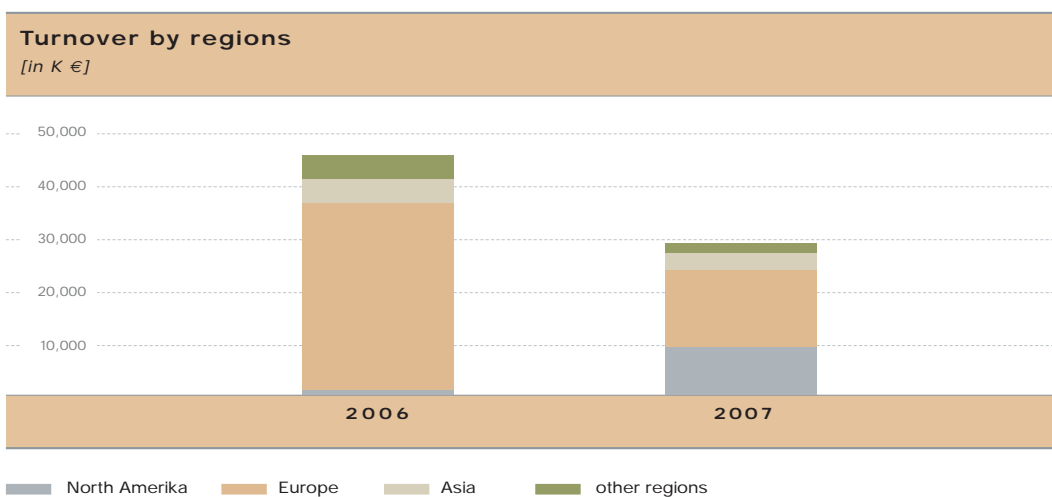




## TURNOVER BY REGION

The shift in relative turnover for individual regions can be explained by several factors. It must be noted that regional revenues are recognized solely according to the country where the licensee holder resides. In the business year 2007 licensing of Internationalmedia Group movies mainly took place in Europe, as did the recognition of producer and financing fees. The development in North America is very pleasing as it shows that the Internationalmedia Group is as well represented in that market place.

Turnover by regions	2006	2007	Change		Share 2007
	[in K €]	[in K €]	[in K €]	[in %]	[in %]
North America	870	9,073	8,203	942.9	30.6
Europe	34,957	15,759	- 19,198	- 54.9	53.1
Asia	4,711	1,708	- 3,003	- 63.7	5.8
other regions	4,630	3,130	- 1,500	- 32.4	10.5
<b>Total</b>	<b>45,168</b>	<b>29,670</b>	<b>- 15,498</b>	<b>- 34.3</b>	<b>100.0</b>



## GROSS PROFIT

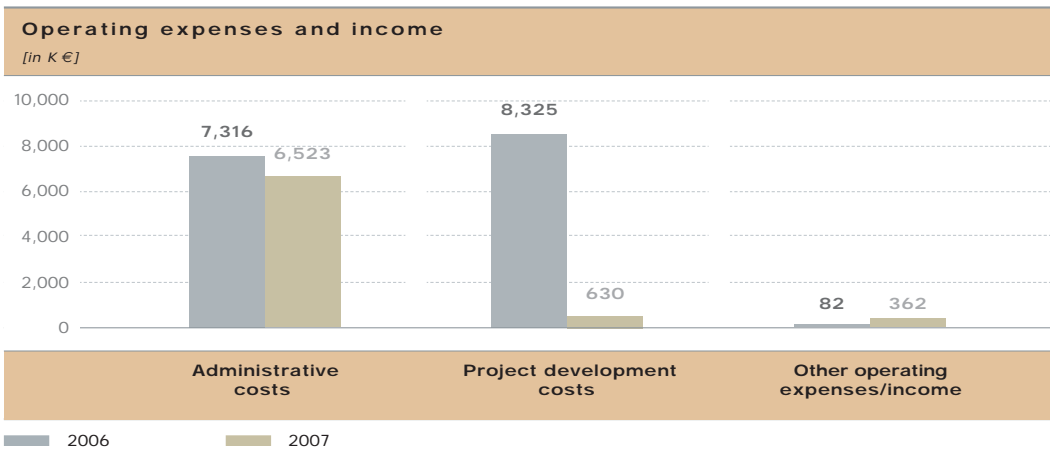
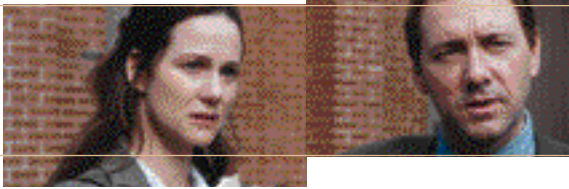
The costs of goods sold figure is mainly influenced by the consequences of the cancellation of STOPPING POWER. It reduces the gross profit by 7.9 million euros comprising 5.2 million euros for the cancellation, 0.6 million euros for the project development costs write off and 2.1 million euros for the transferred preproduction costs. Furthermore costs of goods sold consisted primarily of amortization for owned films, formal payment obligations to producers and attributable overhead costs. Eliminating the special impact of STOPPING POWER the gross profit for 2007 amounts 1.3 million euros (4.4 percent of revenues).

## PROJECT DEVELOPMENT COSTS

Due to the delays in the course of the new strategy's implementation the Company – largely based on the 3-year-depreciation rule – had depreciated around 91 percent of its capitalized project development costs in the previous year, so the charge for the Company in 2007 had been on a maintainable level. However, despite this charge to the P&L, the development projects do not become worthless for the Company. In contrast, the Company now is able to work completely clear from past difficulties and holds potential reserves that can be realized by future productions of the existing projects.

## ADMINISTRATIVE COSTS

Administrative costs have been affected by the consolidation of the Internationalmedia Group and its reduction of costs as well as by the exchange rate between euros and USD and led therefore to further cost savings in the business year 2007. Administrative costs have been decreased by 0.8 million euros (or 10.8 percent) to 6.5 million euros.



## EARNINGS BEFORE INTEREST AND TAXES

Being exposed to a continuously difficult situation on the market and challenges in connection with the cancellation of STOPPING POWER, earnings before interest and taxes (EBIT) showed an increase of 5.7 million euros to -14.1 million euros. Adjusted by the one off impact of STOPPING POWER the EBIT of the business year 2007 amounted to -6.2 million euros which means a reduction of 2.6 million euros to the EBIT of 2006 (after adjusting for the non-recurrent effects from the impairment of film assets and the depreciation of capitalized development projects).

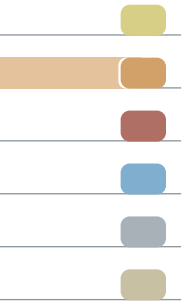
## EARNINGS AFTER TAXES

Losses before taxes amounted to 16.9 million euros and are characterized by a decreased financial result of -2.9 million euros and the positive result at equity. Earnings after taxes were -14.1 million euros due to the positive impact of the reverse of accruals for deferred taxes based on further changes of the Group structure.

## Earnings per share

Undiluted as well as diluted earnings per share were at -2.97 euros. In the year before the undiluted as well as diluted earnings per share (adjusted) amounted to -4.50 euros.





## Group Balance Sheet Structure and Investments

### FURTHER DECREASE IN TOTAL ASSETS

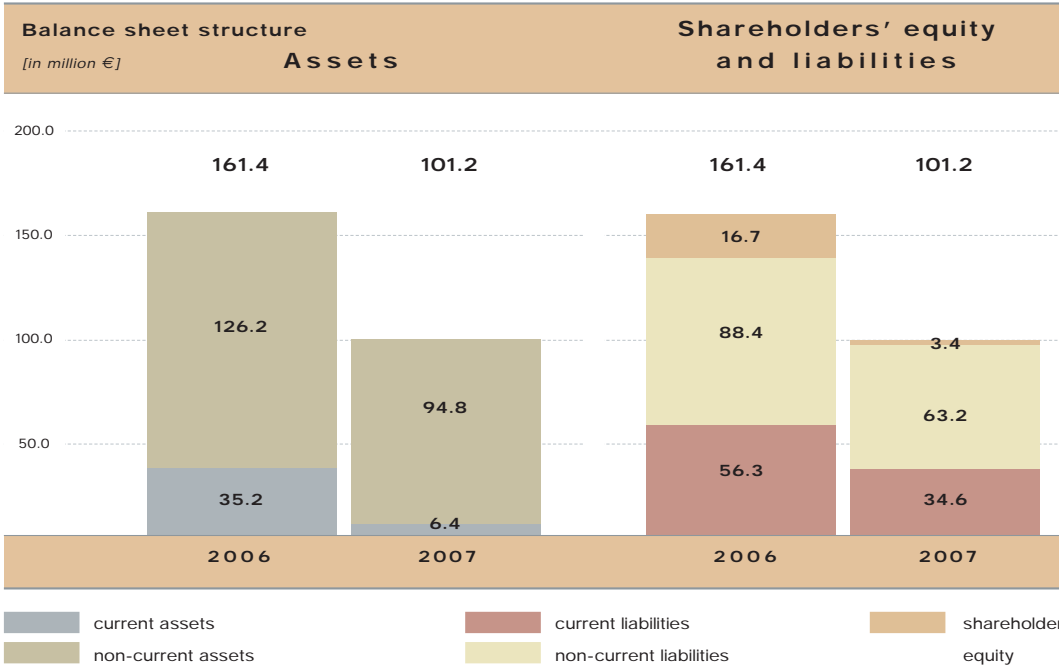
Compared to the year 2006 total assets of the Internationalmedia Group decreased by 60.2 million euros to 101.2 million euros. A significant part of this decrease in the amount of 16.7 million euros is due to the exchange rate changes between the euro and US-dollar.

### CURRENT ASSETS

Current assets decreased by 28.7 million euros to 6.4 million euros. The decrease is mainly due to the use of short term financial assets for the repayment of the production loan for SUSPECT ZERO as well as the cash repayment of a further production loan. Cash equivalents consist of cash assets and credit accounts with banks.

### NON-CURRENT ASSETS

Non-current assets show a decrease of 31.4 million euros to about 94.8 million euros. Basically this is a result of the development of film assets, which decreased by 31.4 million euros to 94.7 million euros, due to the impact of exchange rate movements and depreciation that are charged dependent on revenues. These effects are partly compensated by the addition in film assets by finalized productions.



### CURRENT LIABILITIES

Total current liabilities show a decline of 21.7 million euros to 34.6 million euros. Loan liabilities were reduced by 15.8 million euros through repayments and advanced payments received decreased by 1.1 million euros as a result of the Company's operating activities. The current film accruals also decreased due to the contractual forwarding of cash flows from the exploitation of the film library.





## NON - CURRENT LIABILITIES

Non-current liabilities decreased by 25.2 million euros to 63.2 million euros. This is mainly due to repayments of loan liabilities, reversal of accruals for deferred taxes and the reclassification of accruals from non-current to current accruals. Those reductions are partially offset by an increase of liabilities resulting from the issuance of new bonds and the overall interest for such liabilities.

## SHAREHOLDERS' EQUITY

Shareholders' equity shows a decrease of 13.3 million euros to 3.4 million euros. This is mainly due to the net loss of 14.1 million euros and the negative currency translation adjustments (CTA) of 0.8 million euros. As a result, the equity ratio has decreased from 10.4 percent to 3.4 percent. However, due to the applied accountancy rules ratios such as equity or equity-to-fixed assets are of limited significance since in contrast to the negative effects of the film assets the high reserves can only be realized over time.

Ratios		Dec 31, 2007	Dec 31, 2006
Equity ratio	Equity Total assets	3.4%	10.4%
Equity-to-fixed asset ratio	Equity and film accruals Fixed assets	74.7%	78.3%
Debt structure	Current debt Total liabilities	35.4%	38.9%

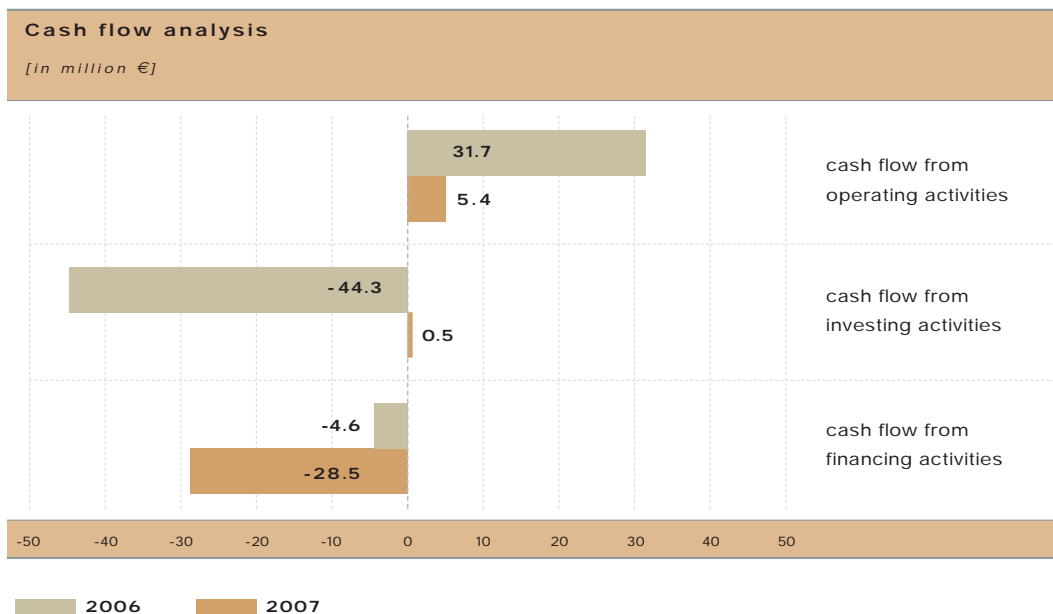


# Group Cash Flow



Compared to the year before, free cash flow increased by 18.5 million euros to 5.9 million euros. This is mainly due to the reduced operational film investments, which only amounted to 4.4 million euros (43.9 million euros in 2006) in the reporting year. The net cash flow of -22.6 million euros is basically a result of the redemption of and the interest paid on debt.

The cash flow from operating activities decreased by 26.3 million euros based on the lower business volume and the related lower inflow of minimum guarantee payments during the reporting year. The cash flow from investing activities increased to 0.5 million euros. As a consequence of the reduction of current and mid-term liabilities and the inflow from additional production loans, the cash flow from financing activities amounted to -28.5 million euros.





## Turnover, Income Position and Balance Sheet Structure

in the Statutory Accounts of IM Internationalmedia AG  
according to the German Commercial Code (HGB)

### INCOME POSITION

The turnover of 0.2 million euros in the business year 2007 mainly consists of management charges to subsidiary companies of IM Internationalmedia AG.

The cost of materials in the amount of 0.1 million euros result from operational activities of IM Filmproduktions- und Vertriebs GmbH & Co. KG, which were merged into IM Internationalmedia AG. The cost of materials includes solely received services in connection with film productions.

Compared to the year before earnings before interest, taxes and transfer of losses decreased from -34.3 million euros to -50.4 million euros. This is mainly due to the impairment of receivables and other current assets from intercompany, which are shown in other operating expenses.

The result from ordinary business activities, which decreased to -55.5 million euros, includes a reduced loss transfer from IM Filmproduktions GmbH and an degraded interest result in the amount of 0.9 million euros due to loss transfers and issuance of new bonds.

Earnings after taxes amount to -52.6 million euros.

### BALANCE SHEET STRUCTURE

Total assets of IM Internationalmedia AG amount to 26.1 million euros, approximately 54.0 million euros below last year's level. The reduction is mainly a result of adjustments to the business plan which became necessary after the incidents around STOPPING POWER. The adjustment of the stock values as well the operating activity of the Internationalmedia Group lead to impairments of investments in subsidiaries, intercompany receivables and other current intercompany assets in a total amount of 48.4 million euros. The reduction was increased by the use of current financial assets to repay bank loans.

Compared to the year before equity decreased by 51.6 million euros. Thus IM Internationalmedia AG shows an equity ratio of 25 percent (p.y. 72.6 percent).



## FINANCIAL STANDING AND CAPITAL RESTRUCTURING 2007

In the business year 2006 the Company issued the warrant bond 2006/2011. The issuance of the warrant bond with a total nominal value of 3,016,200.00 euros was authorized on November 23, 2006. The placement was completed on January 25, 2007. The term of the bond as well as the attached warrants extends until November 30, 2011.

Moreover, the Company issued in the past business year the warrant bond 2007/2010. The issuance of the warrant bond with a total nominal value of 3,000,280.00 euros was authorized on October 24, 2007. As of today's date 1,043,840.00 euros have been placed. Through the exercise of 45,000 attached option rights the Company received until the balance sheet date 999,922.00 euros whereby 909,020 new shares have been issued in the business year 2007. The term of the bond as well as the attached warrants extends until November 29, 2010.

After the balance sheet date as of December 31, 2007, option rights holders made use of their right to exercise options from the warrant bond 2007/2010. Through the exercise and payment of 13,489 options the Company received cash in the amount of 2,077,306.00 euros whereby 1,888,460 new no-par value bearer shares have been issued. Therefore the Contingent Capital 2004/I decreased to 17,943,426.00 euros.

Due to the operational and financial consequences of the cancellation of STOPPING POWER, the Management Board notified its shareholders in an extraordinary shareholders meeting on October 17, 2007 of the loss in excess of more than half of the Company's share capital.

At a subsequently second extraordinary shareholders meeting on December 3, 2007, the decision was taken to reduce the subscribed capital in the amount of 42,606,813.00 euros by 37,870,056.00 euros to 4,733,757.00 euros divided into 4,733,757 shares by a reverse stock split based upon a ratio of 9:1 meaning 9 shares being comprised into 1 share. The decline of the subscribed capital followed the rules of the simple capital reduction pursuant to sec. 229 of the German Stock Companies Law (AktG) upon a ratio 9:1 to adjust the existing decline in value in the amount of 37,410,336.27 euros as of September 30, 2007, to cover further losses and to add 459,719.73 euros to the capital reserve which had been reversed before to adjust the losses.



## **DISCLOSURES ACCORDING TO SEC. 289 PARA. 4 AND SEC. 315 PARA. 3 OF THE GERMAN COMMERCIAL CODE**

The subscribed capital of IM Internationalmedia AG consists of 5,642,777 no-par value bearer shares with an interest in capital of 1 euro each. There are no limitations to the voting rights. Subscribed capital was fully paid in.

The Authorized capital (Authorized Capital 2007) amounts to 21,301,906.00 euros.

Contingent Capital 2000 was partly repealed. The contingent increase by the issuance of new no-par value bearer shares to serve stock option rights of IM Internationalmedia AG's Stock Option Plan 2000 is now limited to an amount of up to 161,000.00 euros.

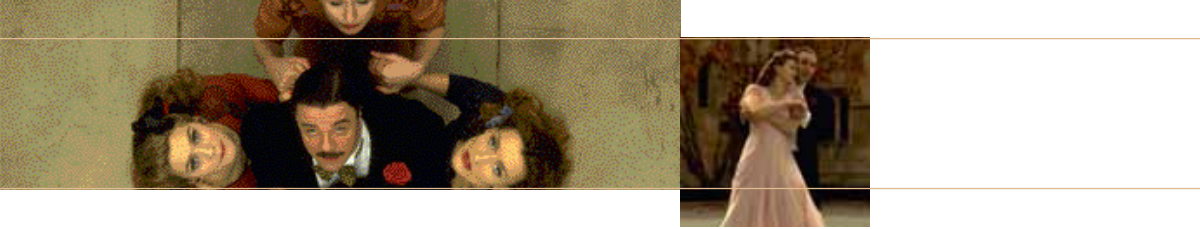
The Contingent Capital 2005/I was also partly repealed. The contingent increase by the issuance of new no-par value bearer shares to serve stock option rights of IM Internationalmedia AG's Stock Option Plan 2005 is now limited to an amount of up to 400,000.00 euros.

The Contingent Capital 2004/I was increased. The contingent increase by the issuance of new no-par value bearer shares to owners or creditors of options and/or convertible bonds therefore amounts to 20,740,906.00 euros.

Neither the Contingent Capital 2000 (161,000.00 euros) nor the Contingent Capital 2005/I (400,000.00 euros) were used in the business year 2007. From the Contingent Capital 2004/I 909,020 euros were used, so 19,831,886.00 euros remain as of December 31, 2007.

As of balance sheet date 84,688 convertible bonds with a nominal value of 20.00 euros from the zero coupon convertible bond 2005 and 75,405 warrant bond notes with a nominal value of 40.00 euros from the warrant bond 2006/2011 as well as 52,192 warrant bond notes with a nominal value of 20.00 euros from the warrant bond 2007/2010 are issued.

The Management Board is appointed and recalled according to the regulations of the company's articles and the legal requirements of sec. 84 and 85 of the German Stock Companies Law (AktG). Changes to the company's articles are subject to sec. 179 of the German Stock Companies Law (AktG). The Supervisory Board is only authorized to change the articles of the company in regards to its version. There are no additional or differing provisions to the articles of the company.



# Business Activities of the Internationalmedia Group

The Internationalmedia Group is a global, independent film company with operations in Los Angeles, London and Munich. The Munich-based parent company IM Internationalmedia AG went public on May 18, 2000. On January 15, 2003, the worldwide operating company was included in the Prime Standard Segment of the Frankfurt stock exchange (WKN 548 880, since December 21, 2007 AOSTYJ - new shares in 2008 AOSTT1).

To date, movies of the Internationalmedia Group have received over 350 nominations and awards from the film industry and have been highly acclaimed at leading film festivals such as in Cannes, Berlin, Salt Lake City, San Sebastian, Toronto and Venice. Films of the Internationalmedia Group include **BASIC INSTINCT 2** starring Sharon Stone, Oliver Stone's **ALEXANDER** starring Colin Farrell and Angelina Jolie, **TERMINATOR 3: RISE OF THE MACHINES** starring Arnold Schwarzenegger, **LIFE OF DAVID GALE** starring Kate Winslet and Kevin Spacey, **BASIC** starring John Travolta and Samuel L. Jackson, **K-PAX** starring Jeff Bridges and Kevin Spacey, and **THE WEDDING PLANNER** starring Jennifer Lopez and Matthew McConaughey as well as **THE HUNTING PARTY** starring Richard Gere.

## BUSINESS MODEL

The core business of the Internationalmedia Group consists of three main business areas. The current prime focus is the business area *Intermedia Cinema*, in which the Company develops, finances, produces and distributes genre films, primarily action, comedy and horror with budgets of generally between 7.5 and 25 million US-dollars. In the Company's traditional business area, *Intermedia Films*, the Group develops, finances, produces and distributes international, capital intensive high-quality motion pictures. The third business area is *Intermedia TV*, in which the Internationalmedia Group intends to develop, finance, produce and distribute TV movies, TV mini-series and TV series for the international market.

Furthermore, the Internationalmedia Group is closely collaborating with the new principal investor of the IM Internationalmedia AG to complement the business model with a fourth business area, the direct exploitation of film rights in theatres, on DVD and in television in Germany as well as Eastern Europe. In the future herein own productions as well as acquired film rights shall be exploited.

Accordingly, the main focus of the core business areas can be described as follows:

## DEVELOPMENT

The development of motion picture assets starts with the creation of concepts for films and TV series and the search for material and extends to the screenplay development phase and finally to the selection of producers, directors and actors.

## FINANCING

Before a project goes into the production phase, the Internationalmedia Group ensures the appropriate percentage of the budget through the presale of the rights to international (or local) distribution partners. The minimum guarantees achieved this way and the overages that are expected offset the production costs of the films or TV series and provide the collateral for potential investors such as banks, film funds or right dealers.

## DISTRIBUTION

Distribution consists of the worldwide licensing of the films and TV series produced by the Internationalmedia Group for exploitation. The licenses for motion pictures are generally granted for individual territories (countries) and for all customary exploitation stages (including cinema, home entertainment, Pay TV, and Free TV).

Furthermore, the Internationalmedia Group has accumulated its own film library with more than 70 films.

The various business activities of the Internationalmedia Group result in the following sources of income:



- Reimbursement of project development costs plus a fee from the budget of the respective film and TV series;
- Fees for services in film development, financing and production;
- Distribution fees on global sales revenues;
- Profit-sharing in successful films and TV series;
- Proceeds from licensing rights that return to the Internationalmedia Group after the end of the first license cycle and can be re-licensed; and
- Sales revenues from ancillary rights such as video games.



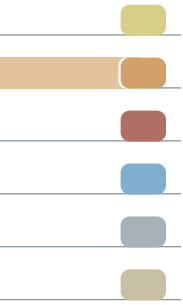
# Productions





## FILMS THAT WRE RELEASED IN THE YEAR 2007

Title	Key Creative Collaborators	Summary
<p><b>BREACH</b> (AKA HANSSEN PROJECT)</p> 	<p><b>Production:</b> Intermedia Film Equities USA Outlaw Pictures Universal Pictures</p> <p><b>Cast:</b> Ryan Phillippe Chris Cooper</p> <p><b>Director:</b> Billy Ray</p>	<p>Based on the true story of Robert Hanssen, the infamous FBI spy who sold secret documents to the Soviet Union over the course of 15 years, the film centers on the relationship between Hanssen and Eric O'Neill, the young FBI agent assigned to work for Hanssen just weeks before he was arrested.</p>
<p><b>MAGICIANS</b></p> 	<p><b>Produktion:</b> Intermedia Film Equities Ltd. Universal Pictures International Breakout Films</p> <p><b>Cast:</b> David Mitchell Robert Webb Tom Hollander Jessica Stevenson</p> <p><b>Director:</b> Andrew O'Connor</p>	<p>The high concept comedy comes from the creators of the successful UK TV series PEEP SHOW; the film follows the split of a famous magic double after one of them is involved in a tragic accident with the guillotine. Years later they have to face each other as they both enter the competition of their lives.</p>





Title	Key Creative Collaborators	Summary
<p><b>THE HUNTING PARTY (AKA SPRING BREAK IN BOSNIA)</b></p> 	<p><b>Production:</b> IM Filmproduktions GmbH Weinstein Co. Gran Via</p> <p><b>Cast:</b> Richard Gere Terrence Howard Jesse Eisenberg</p> <p><b>Director:</b> Richard Shepard</p>	<p>THE HUNTING PARTY is a comic thriller about three journalists looking to make their names in the hunt for a Bosnian war criminal. As the latter mistakes them for CIA agents they involuntarily become the hunted target themselves.</p>
<p><b>ONE MISSED CALL</b></p> 	<p><b>Production:</b> Intermedia Film Equities USA Kadokawa Pictures USA Alcon Entertainment</p> <p><b>Cast:</b> Shannyn Sossamon Ed Burns</p> <p><b>Director:</b> Eric Valette</p>	<p>ONE MISSED CALL is the American re-make of Takashi Miike's highly successful Japanese hit horror film. The story follows a young graduate student whose friends receive cell phone voicemails where they hear themselves being murdered. When the grad student gets her death call, she has three days to change her fate before she becomes the next victim.</p>



# Legal Company Structure



The Internationalmedia Group consists of the parent company IM Internationalmedia AG and the five fully-owned subsidiaries: IM Filmproduktions GmbH (Munich), Pacifica Film Distribution LLC (Los Angeles), Pacifica Film Development, Inc. (Los Angeles), Intermedia Film Equities Limited (London) and Intermedia Film Equities USA, Inc. (Los Angeles). The Group also includes several smaller companies in which IM Internationalmedia AG has an indirect stake via its subsidiaries.

## EMPLOYEES

The total number of employees in average was 25 and has declined from a total of 22 at the beginning of the year to 20 persons by the end of 2007.

## COMPENSATION OF MANAGEMENT BOARD

The overall compensation of the Management Board members is comprised of both a fixed salary and a variable component. The fixed components are linked to the tasks of the respective member of the Management Board and his performance, taking into account the Board's peer companies and the regional environment. Variable compensation mainly includes bonus payments which are granted to the Management Board members based upon both achieving personal goals and corporate objectives. Personal goals are attributed to the tasks of Management Board members. Corporate objectives include the standard benchmarks such as liquidity and earnings figures. The Management Board members also participate in the Stock Option Plan 2005 of IM Internationalmedia AG. In the expired business year no options have been granted.

The compensation for the business year 2007 split into fixed and variable components for each member is described in the notes to the consolidated financial statements.

## COMPENSATION OF SUPERVISORY BOARD

The compensation of the Supervisory Board consists of fixed and variable components. The fixed component amounts to a net of 20,000.00 euros for a complete business year. The Chairperson of the Supervisory Board receives a net of 40,000.00 euros. The variable component amounts up to 0.25 percent of the Company group's EBIT for a complete business year and is conditioned upon the participation in all ordinary and extraordinary Supervisory Board meetings.







## Corporate Communications

**The Company based its corporate communication of the past business year on released films and the events around the cancellation of the production STOPPING POWER on the one hand as well as the capital market on the other.**

During the business year 2007 the announcements surrounding the cancellation of the production of STOPPING POWER and its consequences became the main focus of Internationalmedia Group's corporate communication. Therefore the numerous positive publicity relating to the new film releases of the Internationalmedia Group by the trade press unfortunately had to take a back seat. Particularly, the productions BREACH (aka HANSSEN PROJECT) starring Ryan Phillippe and Academy award winner Chris Cooper and THE HUNTING PARTY (aka SPRING BREAK IN BOSNIA) starring Richard Gere and Terrence Howard have been extremely well lauded by the reviewers.

The shareholder base structure is still dominated by a great number of private investors. This demands significant effort to reply to individual inquiries, which we endeavour to do consistently.

Apart from very close communication with investors, the contact with research analysts continues to be very close due to the fact that many investors' final decisions are based on their reports. Communication with institutional investors was undertaken indirectly and in co-operation with analysts.

In the past business year public relations were handled in a familiar manner. Most notably the press focused on the new film releases of the Internationalmedia Group. Through close contacts with editors and journalists we maintained the Company's largely positive image as an important producer of international film projects, in particular with regard to the trade press. Unfortunately this was overshadowed by the negative announcements around the cancellation of STOPPING POWER.

With the objective of transparency, press and ad hoc releases were being utilized to the extent suggested by the Federal Financial Supervisory Authority (BaFin). In addition, we maintained our shortened reporting procedures for informing the capital markets of our periodic reporting. This is in line with the recommendations of the German Corporate Governance Code.



# Risk Management



The Internationalmedia Group is exposed to a number of risks that may influence the financial condition, assets and operating results of the Group. The Company has therefore implemented a risk management system for the entire Group that provides management with early indicators and benchmarks necessary to take appropriate measures to avoid risks and reduce the negative consequences stemming therefrom. The Internationalmedia Group's management focuses on the Company's liquidity, profitability, and revenue growth, among others, as the primary indicators of financial performance. The following examples show some of the typical risks of the Internationalmedia Group.

## Monetary Risks

The Internationalmedia Group's cash and cash equivalents are mainly invested as much as possible in money market securities. This balances the need to safeguard the Group's liquidity by achieving the best possible return on its money.

Investments are also made in time deposits with maturities of between one and three months. Such investments are always based on the LIBOR (London Interbank Offered Rate), and because of their much lower risk, are preferred to higher risk securities offering a higher return.

Liabilities connected with film productions are generally secured by the film itself, as well as by a completion bond, which is a completion guarantee issued by an insurance company. There is usually no or very limited recourse to the Company under such arrangements.

The available cash of both the IM Internationalmedia AG and the Internationalmedia Group has reached a critical size to that point that it threatens its continued operations due to STOPPING POWER. This means the Internationalmedia Group's going concern status continues to depend on management's ability to finance the continued operations of the Group through the reinvestment of revenues from operations and/or through raising debt or equity financing. Thus, the going concern status of the Company ultimately depends on the success of its business activities




(i.e. to what extent financing and producer fees that result from the production of motion pictures and TV projects and library income can cover overhead, film development costs, and interest and principal repayment with respect to the Company's debt financing). Because the production and exploitation of feature films is basically a project-related business, it is prone to postponements and cancellations of planned projects. The short- and mid-term cash forecast of the Internationalmedia Group builds upon the premise that the Company achieves a certain number of production starts and a certain level of revenue from the re-licensing of library titles as well as the recapitalization through the issuance of new shares.

In order to better control capital management and necessary liquidity to serve its liabilities the Company aims to combine all non-film debts with one major borrower. In a first step this will create a certain dependency but also gives the Company the opportunity to improve contractual modalities and therefore planning reliability. However, if such combination and focusing on one borrower leads to adverse credit terms such dependency can also degrade the solvency situation of the Group.

If some or all of these planned projects or re-licensings were not realized due to external (market environment) or internal (management) reasons, and further management does not succeed in acquiring adequate alternative financing, this could result in cash shortages within the Internationalmedia Group that could, in a worst-case scenario, threaten its existence or going concern status.

## Exchange Rate Risks

The main transaction currency of the Internationalmedia Group is the US dollar, as international sales revenues and most of its operating expenses are executed in US-dollars. Therefore, the Internationalmedia Group's exposure to a possible euros/US-dollar exchange rate risk is minimal and only affects the Company's reporting. To the external reader, the reported financials appear either better or worse, depending on the euro/US-dollar exchange rate. For IM Internationalmedia AG, exchange rate risk exists due to the requirement under the German Commercial Code (HGB) that statutory accounts strictly reflect the lesser of either cost or market principle. Additionally, the Internationalmedia Group may be affected indirectly by the effect that exchange rates have on regional film buyers.



## Interest Rate Risk

At reporting date all financial instruments are subject to a fixed interest rate. While all market interest rate changes do only have an impact on the result of financial instruments when evaluated at fair value, all financial instruments measured at amortized costs are not subject to risks in change in interest rates according to IFRS 7.

## Financial Instruments

To minimize risks from financial instruments internal reviews were implemented. Financial assets are regularly tested for impairment. To minimize risks from receivables an accounts receivable management was implemented.

## Risks Inherent in the Industry

The Internationalmedia Group is among others subject to the following non financial risks, which are also the Group's primary non-financial indicators.

### INCREASING ACQUISITION AND PRODUCTION COSTS

Overall, the cost of producing, marketing and distributing films has risen considerably in the last decade. As part of its new business strategy, the Internationalmedia Group also intends in the future to sporadically acquire, develop, finance and produce films, which (often because of a higher budget) have higher production values and therefore greater potential to reach a broader public and deliver a greater return back to the Group. An experienced management team, defined corporate communication and decision-making channels, and strict cost control measures incorporate these factors into account. Additionally, the Company also minimizes these costs by concentrating on the production of films with comparatively lower budgets that are less capital-intense and more predictable in development and production. Moreover, financing of such genre films is less complex and international pre-sales can be forecasted more easily. When appropriate, the artistic value and the public acceptance of the films are further enhanced by the use of well-known independent production companies.





## INTENSE COMPETITION

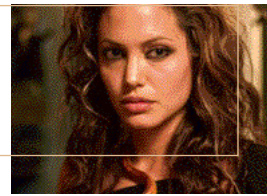
The development, production, financing, and licensing of films is highly competitive. The Internationalmedia Group is one of the few worldwide film companies that has established an independent position in the market. The Company plans to enhance this position by consistently developing high-quality films. Moreover, a main focus of the Company is the establishment and extension of an effective distribution and production strategy. Because of the intense competition within these markets, it is critical to Company's development to be able to secure strategic alliances.

## FILM PIRACY

Film piracy causes enormous damage to the entire film industry, from production companies to sales agencies to the Major Studios and national distributors. Nevertheless, the motion picture industry has the advantage of benefiting and learning from the negative experiences of the music industry. While the music industry did not reach a consensus on a pricing model that gives all implicated parties a balanced incentive to collaborate, the film industry collectively starts from a lower comparative price, which both raises the threshold for illegal copying and reduces the margin for illegal sales, thus rendering the option of legal purchase a much more appealing alternative to copying. Despite these preventative measures, increased film piracy poses a serious threat to the earnings models of the film industry. Primarily affected are big event films, which are subject to illegal copying at a significantly greater rate than smaller genre films.

## OTHER RISKS

The potential strikes of the Screen Actors Guild (SAG) and the Directors Guild of America (DGA) at the end of June may cause delays in planned projects and productions and at worst case may lead to the complete cancellation of these projects.



## Opportunity Report

All risks aside, the Internationalmedia Group faces a number of opportunities that may substantially influence the Group's earnings, financial condition, and prospects.

### STRATEGIC ADJUSTMENTS

Management seeks to successfully implement a new operative unit besides the third business area Intermedia TV, in which the Internationalmedia Group intends to develop, finance, produce and distribute TV movies, TV mini-series and TV series for the international market. For the implementation of the direct exploitation of film rights in theatres, on DVD and in television in Germany as well as Eastern Europe, the Internationalmedia Group closely collaborates with the new group of investors around David Bergstein. In the future herein own productions as well as acquired film rights shall be equally exploited.

Management regrets the developments in the business year 2007 but is nevertheless confident that the agreement with R Media Acquisitions LLC from September 2007 and the capital measures that had been carried out at the end of the year and led to a shareholding involvement of a group of investors around David Bergstein set the course for a positive development of the Company in the future.

### DEVELOPMENT PROJECTS

The Internationalmedia Group's slate of active development projects provides it with extensive opportunities for future productions. The Company continues to actively pursue these existing projects as productions for the Group's library or as projects made for third parties. In addition, various existing development projects are already in such an advanced stage that only small investments are necessary to prepare them for production. Furthermore, when depreciation is applied, the development costs associated with the bulk of those projects are already written off. Consequently, production and sales of these projects offer additional earning potential.



## Outlook

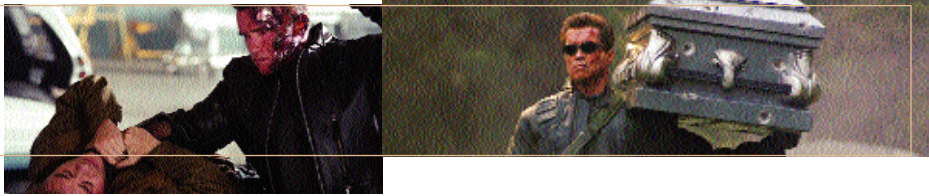
### MARKET ENVIRONMENT

The appetite of global capital markets, as well as institutional and private investors to invest in media shares and the production of motion pictures has again significantly increased within the last year. Among other things, this is due to an increasing demand for entertainment formats that has grown in direct proportion to emerging technical innovations and the resulting new media distribution formats. These factors have led to positive growth forecasts for the entertainment industry.

Ignoring for a moment the potential of these new technological innovations and distribution formats, industry expectations for the exploitation of traditionally important forms of entertainment such as cinema, home entertainment, and TV remain favorable and an integral prospective revenue source.

According to a market survey of PricewaterhouseCoopers AG experts estimate a yearly box-office growth rate in the US of three to five percent as a result of the spread of digital theatres and increasing ticket prices. Despite the decline in German cinema during 2007, forecasts for Germany and Europe imply a yearly growth rate for box-office revenues of between four and five percent. In addition, the markets in Eastern Europe are predicted to keep their boom tendencies.

Also, estimates for the development of home entertainment remain clearly positive. Even though the negative trend of the rental market is expected to continue, researches indicate that the increase in DVD sales revenues will more than compensate for the rental market's decline. Within the sell-through window, positive growth rates are forecasted for all important markets. Due to new analog and digital channels, as well as new technologies like HDTV, analysts for the TV market also indicate increasing growth rates.



## THE COMPANY

After the positive performance of the movies RV and BREACH at the cinema box office as well as the vote of confidence for the movies ONE MISSED CALL and THE HUNTING PARTY the Internationalmedia Group had to suffer a hard setback with the cancellation of the production STOPPING POWER in the second half of the business year 2007 that led to severe financial squeeze. However, the Internationalmedia Group not only managed once again to handle the threatening situation but rather was able to announce promising strategic alliances as well as the interest of a group of investors as the result of negotiations that had been started after the filing for insolvency for IM Stopping Power GmbH. Furthermore, internal necessary restructuring processes have been initiated that will be implemented in a forceful and consistent way. The focal point of the Internationalmedia Group once again lies on the successful resumption of its operational activity. To reinforce the production unit for the future, the Internationalmedia Group closely collaborates with its outside creditor David Bergstein and his group of companies whose expertise lies in national and international sales. With joint forces, the business model shall be complemented by a fourth pillar namely the direct exploitation of film rights in cinema and on DVD and TV in Germany as well as Eastern Europe. In the future herein own productions as well as acquired film rights shall be equally exploited.

## FILMS AND FORECAST 2008 AND 2009

The well-known events of the last business year made it impossible for the Internationalmedia Group to advance their new film and TV projects to a green light status. The first five months after Konstantin Thoeren took over the lead were affected by a further consolidation of the Internationalmedia Group with a simultaneous concentration on the implementation of new business relationships. Besides, restructuring processes and capital measures as well as the reduction and financial conversion of debts have been in the focus of the Management's attention. In the future, focus will be on films with production budgets of 7.5 million US-dollars to 25 million US-dollars with the exception of large action movies that by nature only can be realized within the higher budget segment. Through the cooperation with R Media Acquisitions





LLC starting in 2007, new projects within all divisions of the Internationalmedia Group will be capable of being made. These projects will approximately be half-on-half 'own' productions and work-for-hire productions. However, whether this will be reflected in a positive 2008 result depends upon the production deals for such projects. In general, a work-for-hire deal affects the Company's financial figures earlier than own productions since the latter do not impact the profit and loss statement until the time of the film's release.

Besides the resumption of the operational activities in all three classic segments of the Internationalmedia Group *Intermedia Films*, *Intermedia Cinema* and *Intermedia TV* a new business unit will be developed in 2008. Goal of this unit will be the direct exploitation of film rights in cinema and on DVD and TV in Germany and Eastern Europe. In the future own productions as well as acquired film rights shall be exploited in this way. As a consequence of the entrance in the German and Eastern European market, the Internationalmedia Group plans besides its classic English-speaking productions to produce also German-speaking films and in special cases films in Eastern European languages.

Apart from concentration on new productions and the implementation of a fourth pillar, the Internationalmedia Group will continue its successful efforts to maintain cost efficiency. All in all this should result in a positive result performance in 2009/2010.



## SUBSEQUENT EVENTS

Effective March 1, 2008, the Supervisory Board of IM Internationalmedia AG appointed Mr. Sascha R. Prestel as a new member of the Company's Management Board. He is responsible for the areas of finance, investor relations, corporate communication, administration and human resources.

After the balance sheet date December 31, 2007, option holders made use of their option rights to exercise options from the warrant bond 2007/2010. Through the exercise and payment of 13,489 options the Company received cash in the amount of 2,077,306.00 euros whereby 1,888,460 new no-par value bearer shares have been issued. With this the Contingent Capital 2004/I decreases to 17,943,426.00 Euros.

Through the exercise of options Eluvium Holdings GmbH obtained a voting interest in the amount of 37.04 percent of IM Internationalmedia AG on March 7, 2008. Eluvium Holdings GmbH published the notification of its attainment of control of IM Internationalmedia AG pursuant to sec. 35 para. 1 in conjunction with sec. 10 para. 3 of the German Securities Acquisition and Take Over Act (WpÜG) on March 7, 2008. Following the approval of the publication of the offer document by the federal agency for financial services supervision (BaFin), Eluvium Holdings GmbH will publish its mandatory offer to the remaining shareholders of IM Internationalmedia AG in accordance with sec. 35 para. 2 WpÜG.

Effective on January 9, 2008 the Internationalmedia Group sold all of its shares of MEI Film Limited, UK at a market sales price of 100,000 US-dollars. Besides already exploited first cycle rights the Company possessed tax losses carried-forward.

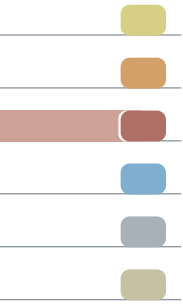




Share







## Trust in Share Withdrawn

After experiencing an upward trend in our share price in the business year 2006, a decline in share value during the first quarter of the 2007 business year showed that the trust of the capital market in our shares had deteriorated. With the resignation of Martin Schuermann as the CEO responsible for the Group's operating activities in summer 2007 and the events immediately following the cancellation of the production of STOPPING POWER the market understandably withdrew any trust in our share. Understandable as well is the fact that in such difficult times for the Company Management's focus is directed at the Company's liquidity and less on improving the share price.

We regret this development but we are yet still confident that with the agreement with R Media Acquisitions LLC in September 2007 and the realized capital restructuring measures at the end of the year and its resulting financial and strategic partnership with a group of investors around David Bergstein the Company is on the right path towards a successful strategy that will be reflected in a positive movement in the share price.

We intend to match this with more active communication with our shareholders, investors and analysts.

### 2007: STOCK PRICE GAIN AND LOSSES IN CAPITAL MARKETS

The German capital market in 2007 was defined after an incipiently very positive development by a basically restrained optimistic mood in the second half-year. This swung back at the beginning of 2008 not least because of the fear of economic recession and the ongoing credit crisis.



Generally in 2007 a new market shape appeared regarding the different sorts of shares. Unlike the years before, in 2007 the larger shares in the German stock index (DAX) increased its market price by an average of over 21 percent whereas the stock price of the small- and mid-caps only developed by 4 percent (MDAX) and -7 percent (SDAX) respectively.

## Market Data

### 2007: Market data

Stock exchanges:	Berlin, Bremen, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart
Electronic Trade System:	Xetra
WKN (Security Identification Code):	548880 A0LR8J A0STYJ (since Dec 21, 2007) respectively A0STT1 for young shares since Jan 1, 2008
ISIN Number:	DE 0005488803 DE 000A0LR8J5 DE 000A0STYJ1 (since Dec 21, 2007) respectively DE 000A0STT18 for young shares since Jan 1, 2008



## Stock Information

Stock information	
Year-start price (Jan. 2, 2007)	0.42 € (adjusted to the reverse stock split a theoretical market price of 3.78 € occurs)
Year-end price (Dec 28, 2007)	0.93 €
Price per share (high) (Jan. 25, 2007)	0.58 € (adjusted to the reverse stock split a theoretical market price of 5.22 € occurs)
Price per share (low) (Nov. 16, 2007)	0.07 € (adjusted to the reverse stock split a theoretical market price of 0.70 € occurs)
Performance IM Internationalmedia AG	- 75%
Performance DAX	+ 21%
Performance TecDAX	+ 30%
Performance SDAX	- 7%
Average daily trading volume in 2007 of the IM Internationalmedia AG shares	13,734 shares (after reverse stock split)



## Earnings per Share

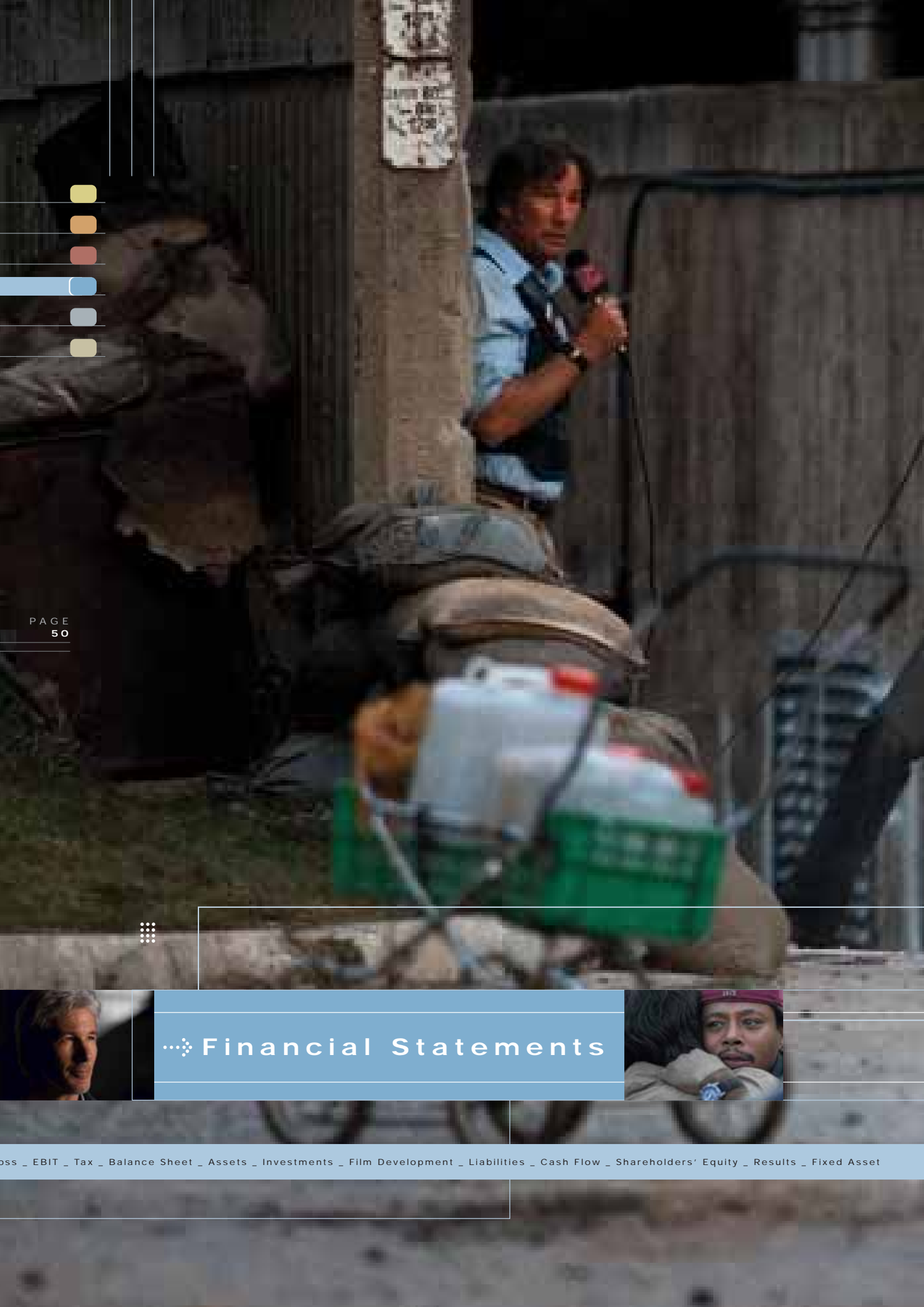
The diluted and undiluted earnings per share were -2.97 euros. No dividend will be paid.

## Prime Standard Segment and SDAX

Shares of IM Internationalmedia AG have been traded in the Prime Standard Segment of the Frankfurt Stock Exchange since January 15, 2003. In essence, this segment compiles the titles from the DAX, MDAX, SDAX and TecDAX indices that are the most liquid and, with regard to the market capitalization, the strongest corporations of the German stock exchange.







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## Financial Statements



Loss \_ EBIT \_ Tax \_ Balance Sheet \_ Assets \_ Investments \_ Film Development \_ Liabilities \_ Cash Flow \_ Shareholders' Equity \_ Results \_ Fixed Asset



# Financial Statements





# Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2007



	Notes	2007	2006
<i>[in K €]</i>			
<b>Revenues</b>	(1)	<b>29,670</b>	<b>45,168</b>
Costs of goods sold	(2)	-36,233	-49,198
<b>Gross profit</b>		<b>-6,563</b>	<b>-4,030</b>
Other operating income	(3)	466	197
Project development costs	(4)	-630	-8,325
General administration costs	(5)	-6,523	-7,316
Other operating expenses	(6)	-828	-279
<b>Operating result (EBIT)</b>		<b>-14,078</b>	<b>-19,753</b>
Finance income	(7)	67	267
Finance costs	(7)	-2,941	-2,994
Result at equity		5	-393
<b>Result before tax</b>		<b>-16,947</b>	<b>-22,873</b>
Taxes on income and on profits	(8)	2,857	1,587
<b>Result after tax</b>		<b>-14,090</b>	<b>-21,286</b>
<b>Undiluted earnings per share (in €)</b>	(9)	<b>-2.97</b>	<b>-4.50*</b>
<b>Diluted earnings per share (in €)</b>	(9)	<b>-2.97</b>	<b>-4.50*</b>

\* adjusted





## Consolidated Balance Sheet

AS OF DECEMBER 31, 2007

<b>Assets</b>	Notes	Dec 31, 2007	Dec 31, 2006
<i>[in K €]</i>			
<b>Current assets</b>			
Cash and cash equivalents	(10), (23)	302	22,896
Trade accounts receivable	(11), (23)	1,535	1,213
Film development costs	(12)	484	858
Financial assets	(13)	0	5,666
Other current assets	(13), (23)	4,124	4,534
<b>Total current assets</b>		<b>6,445</b>	<b>35,167</b>
<b>Non-current assets</b>			
Fixed assets	(14)	109	112
Film and license assets	(15)	94,658	126,096
Other intangible assets	(15)	0	1
Investments in associated companies		0	1
<b>Total non-current assets</b>		<b>94,767</b>	<b>126,210</b>
<b>Total assets</b>		<b>101,212</b>	<b>161,377</b>



<b>Shareholders' equity and liabilities</b> <i>[in K €]</i>	Notes	Dec 31, 2007	Dec 31, 2006
<b>Current liabilities</b>			
Loan liabilities	(16), (23)	17,391	33,180
Advanced payments received	(16), (23)	1,807	2,914
Trade accounts payable	(16), (23)	885	1,065
Other accrued liabilities	(17), (18)	14,229	19,036
Other current liabilities	(16), (23)	262	55
<b>Total current liabilities</b>		<b>34,574</b>	<b>56,250</b>
<b>Non-current liabilities</b>			
Loan liabilities	(16), (23)	3,123	19,462
Deferred tax liabilities	(19)	0	2,892
Liabilities from issuance of equity instruments	(16), (23)	5,932	2,312
Other accrued liabilities	(17), (18)	54,153	63,726
<b>Total non-current liabilities</b>		<b>63,208</b>	<b>88,392</b>
<b>Shareholders' equity</b>			
Subscribed capital	(20)	5,643	42,604
Capital reserve		51,536	261,730
Net retained earnings		57,042	-199,178
Currency translation adjustments (CTA)		-110,791	-88,421
<b>Total shareholders' equity</b>		<b>3,430</b>	<b>16,735</b>
<b>Total shareholders' equity and liabilities</b>		<b>101,212</b>	<b>161,377</b>





## Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2007

[in K €]	Notes	2007	2006
<b>Net loss</b>		<b>-14,090</b>	<b>-21,286</b>
Depreciation and amortization		24,646	40,967
Changes in non-cash accrued liabilities		-6,608	2,402
Changes in non-cash deferred taxes		-2,892	-1,605
Changes in capitalized development costs		373	8,547
Changes in trade accounts receivable and other assets		-263	6,082
Changes in other current assets		23	90
Changes in trade accounts payable		702	-483
Changes in other liabilities		3,512	-2,964
Income tax paid		-8	-19
<b>Cash flows from operating activities</b>	<b>(24)</b>	<b>5,395</b>	<b>31,731</b>
Investments in intangible assets	(25)	-4,448	-43,885
Investments in fixed assets		-70	-9
Financial investments		5,037	-398
<b>Cash flows from investing activities</b>		<b>519</b>	<b>-44,292</b>
Proceeds from borrowings		5,789	12,433
Repayment of borrowings		-36,988	-14,791
Proceeds from issuance of equity instruments		4,806	20
Interests received		67	85
Interests paid		-2,182	-2,381
<b>Cash flows from financing activities</b>	<b>(26)</b>	<b>-28,508</b>	<b>-4,634</b>
Net changes in cash and cash equivalents		-22,594	-17,195
Cash and cash equivalents at beginning of period		22,896	40,091
<b>Cash and cash equivalents at end of period</b>	<b>(27)</b>	<b>302</b>	<b>22,896</b>



# Consolidated Statement of Shareholders' Equity



	Notes	Subscribed capital	Capital reserves	Net retained earnings	Currency translation adjustments (CTA)	Total
<i>[in K €]</i>						
<b>Balance Jan 1, 2006</b>						
		42,600	261,540	-197,871	-64,698	41,571
Result after tax				-21,286		-21,286
Equity instruments		4	67			71
Stock options			123			123
Translation differences				19,979	-23,723	-3,744
<b>Balance Dec 31, 2006</b>		<b>42,604</b>	<b>261,730</b>	<b>-199,178</b>	<b>-88,421</b>	<b>16,735</b>
<b>Balance Jan 1, 2007</b>						
		42,604	261,730	-199,178	-88,421	16,735
Result after tax				-14,090		-14,090
Equity instruments	(16)	909	662			1,571
Capital reduction	(20)	-37,870	-210,856	248,726		0
Translation differences				21,584	-22,370	-786
<b>Balance Dec 31, 2007</b>		<b>5,643</b>	<b>51,536</b>	<b>57,042</b>	<b>-110,791</b>	<b>3,430</b>





## Notes to the Consolidated Schedule of non-current Asset

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2007

[in K €]	Brought forward Jan 1, 2007	Additions	ACQUISITION	
			Disposals	Currency translation adjustments (CTA)
<b>Intangible assets</b>				
Film and licence assets	486,028	4,448	0	-50,355
Goodwill	59,302	0	0	-6,144
Other intangible assets	27	0	0	-3
	<b>545,357</b>	<b>4,448</b>	<b>0</b>	<b>-56,502</b>
<b>Fixed assets</b>				
Other equipment, operating and office equipment	932	90	-11	-97
	<b>932</b>	<b>90</b>	<b>-11</b>	<b>-97</b>
<b>Financial assets</b>				
Investments in associated companies	588	5	-532	-61
	<b>588</b>	<b>5</b>	<b>-532</b>	<b>-61</b>
<b>Total non-current assets</b>	<b>546,877</b>	<b>4,543</b>	<b>-543</b>	<b>-56,660</b>

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2006

[in K €]	Brought forward Jan 1, 2006	Additions	ACQUISITION	
			Disposals	Currency translation adjustments (CTA)
<b>Intangible assets</b>				
Film and license assets	492,877	43,884	0	-50,733
Goodwill	66,107	0	0	-6,805
Other intangible assets	29	1	0	-3
	<b>559,013</b>	<b>43,885</b>	<b>0</b>	<b>-57,541</b>
<b>Fixed assets</b>				
Other equipment, operating and office equipment	2,730	86	-1,603	-281
	<b>2,730</b>	<b>86</b>	<b>-1,603</b>	<b>-281</b>
<b>Financial assets</b>				
Investments in associated companies	1,788	343	-1,358	-185
Other financial assets	6,281	0	-5,648	-633
	<b>8,069</b>	<b>343</b>	<b>-7,006</b>	<b>-818</b>
<b>Total non-current assets</b>	<b>569,812</b>	<b>44,314</b>	<b>-8,609</b>	<b>-58,640</b>

\* thereof extraordinary 7,776,400 euros



# Financial Statements

## Movements

C O S T S	Balance Dec 31, 2007	Brought forward Jan 1, 2007	Additions	Disposals	D E P R E C I A T I O N	Currency translation adjustments (CTA)	Balance Dec 31, 2007	B O O K V A L U E	
								Dec 31, 2006	Dec 31, 2006
	440,121	359,932	24,572	0		-39,041	345,463	94,658	126,096
	53,158	59,302	0	0		-6,144	53,158	0	0
	24	26	1	0		-3	24	0	1
	<b>493,303</b>	<b>419,260</b>	<b>24,573</b>	<b>0</b>		<b>-45,188</b>	<b>398,645</b>	<b>94,658</b>	<b>126,097</b>
	914	820	68	-9		-74	805	109	112
	<b>914</b>	<b>820</b>	<b>68</b>	<b>-9</b>		<b>-74</b>	<b>805</b>	<b>109</b>	<b>112</b>
	0	587	5	-563		-29	0	0	1
	<b>0</b>	<b>587</b>	<b>5</b>	<b>-563</b>		<b>-29</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>494,217</b>	<b>420,667</b>	<b>24,646</b>	<b>-572</b>		<b>-45,291</b>	<b>399,450</b>	<b>94,767</b>	<b>126,210</b>

C O S T S	Balance Dec 31, 2006	Brought forward Jan 1, 2006 adjusted	Additions	Disposals	D E P R E C I A T I O N	Currency translation adjustments (CTA)	Balance Dec 31, 2006	B O O K V A L U E	
								Dec 31, 2006	Dec 31, 2005 adjusted
	486,028	358,407	40,423 *	0		-38,898	359,932	126,096	134,470
	59,302	66,107	0	0		-6,805	59,302	0	0
	27	29	1	0		-4	26	1	0
	<b>545,357</b>	<b>424,543</b>	<b>40,424</b>	<b>0</b>		<b>-45,707</b>	<b>419,260</b>	<b>126,097</b>	<b>134,470</b>
	932	2,372	150	-1,525		-177	820	112	358
	<b>932</b>	<b>2,372</b>	<b>150</b>	<b>-1,525</b>		<b>-177</b>	<b>820</b>	<b>112</b>	<b>358</b>
	588	1,754	393	-1,429		-131	587	1	34
	0	128	0	-121		-7	0	0	6,153
	<b>588</b>	<b>1,882</b>	<b>393</b>	<b>-1,550</b>		<b>-138</b>	<b>587</b>	<b>1</b>	<b>6,187</b>
	<b>546,877</b>	<b>428,797</b>	<b>40,967</b>	<b>-3,075</b>		<b>-46,022</b>	<b>420,667</b>	<b>126,210</b>	<b>141,015</b>

Movement \_ Acquisition Costs \_ Book Value \_ Payment \_ Group Activity \_ Accounting Policy \_ IFRS \_ US-GAAP \_ Operating \_ Financing \_ Investing

## I. General

### DESCRIPTION OF GROUP ACTIVITIES

IM Internationalmedia AG is registered under No. HRB 130722 with the Commercial Register of the Munich District Court and its registered office is in Munich, Germany. Group activities include the development, production, and distribution of media productions, principally feature films, films for television, television series, and other television content. Also included are services to the film and television industry and the acquisition and holding of investments in companies.

The present financial statements were authorized for release to the Supervisory Board on March 19, 2008.

### PRELIMINARY NOTE TO ACCOUNTING POLICIES

IM Internationalmedia AG's Group financial statements for the business year January 1, 2007 to December 31, 2007 were prepared in accordance with sec. 315a of the HGB (German Commercial Code), pursuant to the European Community's Accounting Directives Act and according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Since the shares of IM Internationalmedia AG are traded on the Prime Standard Segment of the German Stock Exchange, it is required to prepare its financial statements in accordance with the regulations of the IFRS.

In both the consolidated income statement and the consolidated balance sheet, various items are combined in order to give a clearer view. The individual items are explained in further detail under the corresponding reference number in the notes. The consolidated income statement was drawn up using the cost of sales method according to international standards. In the cash flow statement, the flows of payments are formatted according to IAS 7, conforming to international practice, and organized by areas of cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities.

The consolidated financial statements show the consolidated results of the Company and the affiliates in which it has a majority holding.



## USE OF ESTIMATES

The preparation of final statements in accordance with regulations of IFRS requires the use of estimates and assumptions that have an effect on the values of assets, liabilities and financial obligations at year-end and on the income and expenditures of the business year shown therein. Actual results may deviate from these estimates and assumptions. The business activities of the Internationalmedia Group require the use of estimates and assumptions mainly in the area of amortization of film assets. The Company must therefore make assumptions regarding future revenue over a period of 20 years. These estimates are also required to determine accruals for participations of producers, actors and directors. Furthermore, if a realization of a capitalized asset or project is reasonable, in order to rate the Company's inventories in compliance with IAS 2 the Company must constantly evaluate the net residual value of such capitalized projects and/or assets. Based on anticipated utilization of tax losses brought forward deferred tax assets are capitalized.

## FIRST-TIME APPLICATION OF REGULATIONS

The following regulations, effective for the current balance sheet date, were applied for the first time in the 2007 business year: IFRS 7 ("Financial instruments: Disclosures") as amendment to IAS 32 ("Financial instruments: Presentation") and the matching amendment to IAS 1 ("Presentation of financial statements – Capital disclosures") as well as IFRIC 10 ("Interim financial reporting and impairment").

Additionally, the following regulations were adopted early in business year 2007: IFRIC 11 ("Group and treasury share transactions"); Amendment to IAS 23 ("Borrowing costs"); IFRIC 14 ("IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"); IFRIC 12 ("Service concession arrangements") and IFRIC 13 ("Customer loyalty programs"). Apart from IFRIC 11 none of these interpretations have been endorsed according to the EU accounting regulations.

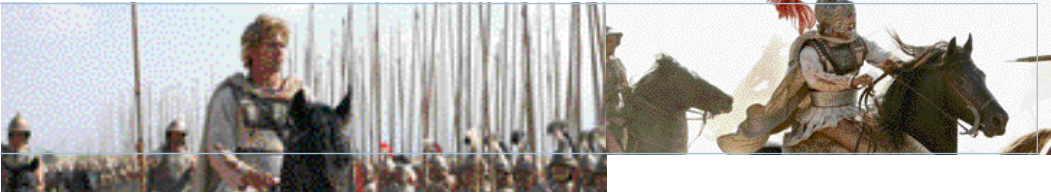


The implementation of these new, changed, and amended regulations, to the extent applicable to the Internationalmedia Group, did not have any material impact on the accounting as of December 31, 2007.

## CONSOLIDATED GROUP

36 companies (p.y. 51) are fully consolidated in the financial statements of the Internationalmedia Group. One joint venture was valued in accordance with the equity method. Three companies were founded in 2007 (p.y. 5) via cash contribution, 15 were liquidated (p.y. 2) and 4 (p.y. 0) were sold for a sale price of one euro.

The Internationalmedia Group's shares in one joint venture amount to 0 euros (p.y. 6,300 euros) in current assets, 0 euros (p.y. 0 euros) in non-current assets, 0 euros (p.y. 0 euros) in current liabilities, 0 euros (p.y. 0 euros) in non-current liabilities, 0 euros (p.y. 115,700 euros) of income, and 0 euros (p.y. 29,400 euros) of expenses. The proportional net income of both joint ventures held during 2007 are shown in the result at equity.



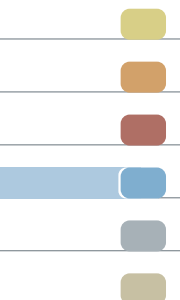
## SIGNIFICANT SUBSIDIARIES OF IM INTERNATIONALMEDIA AG

We refer to the summary of affiliated companies of IM Internationalmedia AG in the financial statements of IM Internationalmedia AG according to HGB under reference number (23).

Subsidiaries	Equity interest	Shareholders' equity <sup>1)</sup> [in K €]	Result after taxes <sup>1)</sup> [in K €]
Intermedia Film Equities Ltd., London <sup>2)</sup>	100%	38,403	-4,441
Intermedia Film Equities USA, Inc., Los Angeles <sup>2)</sup>	100%	-55,634	-7,354
Pacifica Film Distribution LLC, Los Angeles	100%	-14	-1
Pacifica Film Development, Inc., Los Angeles	100%	-3,633	15
IM Filmproduktions GmbH, Munich	100%	-3,010	200

<sup>1)</sup> Information as of December 31, 2007 according to IFRS  
<sup>2)</sup> Subgroup





## CONSOLIDATION PRINCIPLES

### UNIFORM GROUP ACCOUNTING AND VALUATION

The consolidated financial statements of IM Internationalmedia AG are based on uniform rules to the Group's balance sheet date and on the audited and reviewed year-end financial statements of the individual Group companies as of the balance sheet date, respectively.

### FULL CONSOLIDATION

Companies under the direct or indirect control of IM Internationalmedia AG are fully consolidated. Joint ventures and associated companies, for which a significant influence exists, are consolidated using the equity method and are initially recognized at cost. The difference between the cost of acquisition and the fair value of identifiable assets, liabilities, and contingent liabilities is recorded as goodwill within the investments in associated companies. The share of the joint ventures' and associated companies' post-acquisition profits or losses is recognized in the income statement, and the share of post-acquisition movements in reserves is recognized in reserves.

The purchase method is used for the acquisition of subsidiaries. According to this method, assets and liabilities of the acquired company are measured initially at their fair values at the acquisition date. Acquisition costs exceeding the share in equity are therefore assigned to the acquired assets and liabilities. Any residual amount is recorded as goodwill. The adjustments to fair values are enhanced during follow-up valuation according to corresponding assets and liabilities.

Goodwill and other intangible assets with undefined useful life are tested for impairment at least once a year (IAS 38). As of December 31, 2007 the Company does not show any other intangible assets with undefined useful life.

Group receivables and liabilities between fully consolidated companies were offset. In the case of earnings, intercompany revenues and expenses are eliminated during consolidation.



## CURRENCY TRANSLATION

### INDIVIDUAL FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

Monetary positions in foreign currencies reported in individual balance sheets of consolidated companies are valued with the exchange rate on the closing date in accordance with IAS 21.

The main operational activities of the Company are settled in US-dollars. The US-dollar therefore also serves as the functional currency. Accordingly the consolidated financial statements were also prepared in US-dollars. However, the Internationalmedia Group is required to present its consolidated financial statements in euros. According to IAS 21, which pertains to the conversion of the functional currency to the presentation currency, all items on the balance sheet are converted at the exchange rate on the closing date, except for subscribed capital and capital reserves. Items in the income statements are converted at the average rate for the business year. Conversion differences arising from the conversion of functional currency into the presentation currency are set against shareholders' equity in the "cumulative translation adjustment" (CTA) position with no effect on income.

### TRANSACTION CONVERSIONS

The exchange rate pertaining to individual transaction dates was used as the basis for converting the individual balance sheet items of the consolidated German and English companies. Where required, a new valuation of the respective balances was performed on the closing date.





## SEGMENT REPORTING

With the exception of a regional allocation of sales revenues in item (1) of the notes, segment reporting was not generated because until the balance sheet date, the Internationalmedia Group's internal management and organizational structure ("management approach") does not produce different types of products that could be differentiated by profitability rates, growth rates, future prospects, or risks. In addition, no reasonable regional segment reporting for results and assets can be provided.

Based on timing differences applicable to the implementation of the Company's new strategy in the area of TV movies and series, this segment has not exceeded the reportable threshold of IAS 14.35 in the business year 2007. The Company was able to implement the reporting structure for this second segment. However, the report for 2007 would have been without conclusion and has therefore not been provided.

## ACCOUNTING PRINCIPLES

### REVENUE AND REVENUE RECOGNITION

The Internationalmedia Group generates revenues from the production of films and worldwide distribution of film rights. Revenues are mainly generated from production and financing fees and licensing of film distribution rights.

Where the Group does not control distribution rights (because it produced the underlying film), the Group obtains the necessary licenses from the licensor for particular countries and time periods.



On the basis of the produced and acquired distribution rights, the Group grants sublicenses for limited periods and for defined territories worldwide. Revenue is recognized when the film is released in one of the major territories to which the Internationalmedia Group has the distribution rights.

### **VALUATION OF FILM AND LICENSE ASSETS**

All product-related costs are capitalized in accordance with IAS 23 and IAS 38, and amortized over the lifespan of the relating asset according to the film-forecast-computation-method described in the regulation of US-GAAP. This internationally recognized method prescribes that amortization is applied by comparing current distribution revenues to total distribution revenues. Total distribution revenues are forecasted for 20 years. SOP 00-2 prescribes a period of 10 years. Customary security interests are given to financiers.

In general, all directly attributable expenses of production or the purchase of film assets are capitalized until the start of exploitation. Capitalized production costs include external costs for acquisition of screenplays and film production, as well as actors' fees, etc. In addition, directly attributable debt interest expenses are included according to IAS 23. In total, interest on debt was capitalized in the amount of 646,900 euros (p.y. 3,144,400 euros).

In 2007 film production costs of 3,801,500 euros (p.y. 40,740,000 euros) were capitalized.

The Company applies IAS 36 with respect to the valuation of film assets. Therefore the recoverability of all films was assessed using the discounted cash flow method. Based on this analysis the Company didn't have to realize an impairment loss (p.y. 7,776,400 euros) in 2007.

### **INTANGIBLE ASSETS**

Acquired intangible assets are reported at acquisition or production cost. Computer software amortization is linear over its estimated life span of three to five years.



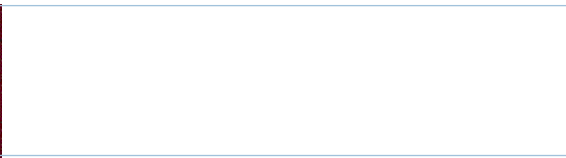
## FIXED ASSETS

Fixed assets are valued at acquisition cost less depreciation in accordance with IAS 16. The following life spans for individual fixed asset items are applied:

	Depreciation in years
Computer hardware	3 - 5
Office and business equipment	4 - 10

## IMPAIRMENT OF ASSETS

Assets that have an undefined useful life are not subject to amortization and are tested annually for impairment. As of balance sheet date of December 31, 2007, the Company does not hold any intangible assets with an undefined useful life. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The obligation to reverse the impairment arises if the recoverable amount has increased. The maximum amount to be reversed is determined by the acquisition or production cost less the cumulative regular depreciation that would have been accounted for if no impairment had been recognized in previous years. The reversal is shown in the corresponding functional area of the income statement.



## FINANCIAL ASSETS

Financial assets include investments in associated companies.

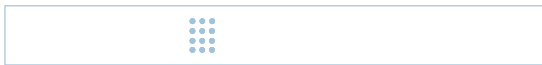
Financial assets are classified in the following categories: loans, receivables, and investments that are held to maturity. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Loans initially are recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Provisions for impairment are established when there is objective evidence that amounts due are not collectable. Other securities are valued according to market value.

Investments in associated companies are valued according to the equity method.

The development of intangible, fixed, and financial assets are shown in the schedule of non-current asset movements on page 1 of these notes.

## CAPITALIZED DEVELOPMENT COSTS

Inventories are valued according to IAS 2 regulations at the lower of acquisition cost or net realizable value. Inventories mainly consist of capitalized project development costs (i.e. underlying rights, development, location scouting, etc.), which are recorded according to the individual costs allocated to each project, and written off after three years (at the latest). A reclassification to film assets is performed with the start of production.





## RECEIVABLES

Receivables are stated at fair value. Acquisition costs, based on their short-term nature, correspond to the nominal value. Appropriate allowances for doubtful receivables are recorded.

## OTHER ASSETS

Other assets and prepaid expenses are valued at their amortized acquisition costs. Individual risks are accounted for by appropriate allowances. Prepaid expenses are stated if payments are performed for expenses of future periods. Other securities are recognized initially at fair value and subsequently measured at amortized cost.

## CASH AND CASH EQUIVALENTS

Cash includes cash on hand and bank balances with maturities less than three months. Cash is valued according to its market value.

## EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or equity instruments are shown in equity as a deduction, net of tax. Capital reserve amounts to 51,536,000 euros as of the balance sheet date (p.y. 261,730,000 euros).

One Group company has a minority interest of 15 percent. This company neither owns assets or liabilities nor did it generate any income or expenses in the business year 2007. Therefore no minorities are shown.



## LIABILITIES

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized costs, any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond and a bond with warrants is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

## ACCRUED LIABILITIES

According to IAS 37, accrued liabilities are recorded when there is a legal or de facto obligation to third parties as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The posted value of accrued liabilities is based on those amounts required to cover future payment obligations, recognizable risks, and contingent liabilities of the Group.

## DEFERRED TAXES

Deferred taxes are accounted for temporary differences between statutory/consolidated balance sheet items and tax values. A deferred tax asset is recognized for all such deductible temporary differences to the extent that it is probable that taxable profit will be available for offset against the deductible temporary difference. In accordance with IAS 12.47, these deferred taxes are calculated using tax rates that will be valid when the differences are expected to be reversed or compensated. Deferred tax assets and liabilities are reported net on the basis of similar terms and jurisdictions.



## LEASING TRANSACTIONS

As of the balance sheet date, the Internationalmedia Group has entered into five sale-and-leaseback transactions that were reported in accordance to SIC-27. The Company sold a limited number of film rights and/or materials and leased them back over a period of 15 years. Out of the 24,956,800 euros (p.y. 28,722,500 euros) receivables and payables shown net in the balance sheet, 2,419,800 euros (p.y. 2,273,200 euros) mature within one year, 12,914,800 euros (p.y. 12,264,100 euros) mature in between one and five years and 9,622,200 euros (p.y. 14,185,200 euros) mature in more than five years. The benefits of the sale/leaseback transactions include a reduction of the capitalized production cost of the applicable production and accordingly of future amortizations.

## STOCK OPTION PLANS

IM Internationalmedia AG operates a share-based compensation plan. The fair value of the employee service received in exchange for the grant of the options is recognized as an expense. The total amount of such expense over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of any revision of the original estimates in the income statement, with a corresponding adjustment to equity. When options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and capital reserve.



## II. Notes to the Consolidated Income Statement

### (1) REVENUES

Revenues by geographical markets (each by global region of licensee) have the following structure:

Revenues by geographical markets <i>[in K €]</i>	2007	2006
Europe	15,759	34,957
North America	9,073	870
Asia	1,708	4,711
Other regions	3,130	4,630
<b>Total</b>	<b>29,670</b>	<b>45,168</b>

Amongst others, one of the primary reasons for the yearly differences in revenue between the various geographical markets is the fact that the registered office of the licensee is used to determine its applicable geographical market, and not the geographical markets in which the licensee generates revenues. The reduction in revenue compared to the year before is mainly a result of the fact that the releases of 2007 (MAGICIANS and THE HUNTING PARTY aka SPRING BREAK IN BOSNIA) had much lower production budgets than the release of 2006 (BASIC INSTINCT 2) and therefore generated less minimum guarantees.

### (2) COSTS OF GOODS SOLD

Production costs relating to the generation of revenues amounted to 36,233,200 euros. Costs of goods sold include the following items:

Costs of goods sold <i>[in K €]</i>	2007	2006
Film rights amortization	24,572	40,423
Other costs of materials (residuals, participations, repatriation of share capital)	11,661	8,775
<b>Total</b>	<b>36,233</b>	<b>49,198</b>





The film rights amortization does not include any extraordinary components (p.y. 7,776,400 euros). The cancellation costs for STOPPING POWER are included in other costs of materials.

### (3) OTHER OPERATING INCOME

Other operating income amounting to 466,100 euros mainly consisted of the following items:

Other operating income <i>[in K€]</i>	2007	2006
Foreign exchange gains	161	196
Income from VAT returns p.y.	46	0
Other	259	1
<b>Total</b>	<b>466</b>	<b>197</b>

### (4) PROJECT DEVELOPMENT COSTS

A write-off in the amount of 630,100 euros (p.y. 8,325,400 euros) for inactive or abandoned film development projects is included in project development costs.



## ( 5 ) GENERAL ADMINISTRATIVE COSTS

In 2007, general administrative costs amounted to 6,523,400 euros (p.y. 7,315,500 euros).

They consisted of the following items:

General administrative costs <i>[in K €]</i>	2007	2006
Personnel expenses	3,388	3,938
Consulting expenses	1,123	1,114
Costs related to premises	607	754
Cost for general shareholder meetings	296	127
Representation and travel expenses	225	334
Expenses for insurances	191	256
Communication costs	123	141
Depreciation	68	151
Expenses for stock options	0	123
Other costs	502	378
<b>Total</b>	<b>6,523</b>	<b>7,316</b>

Consulting expenses include German auditors' fees in the amount of 135,000 euros (p.y. 130,000 euros) for the audit of the statutory and consolidated financials. There was no other consulting or due diligence work performed by the German auditor in 2007 (p.y. 0 euros).

## EXPENSES BY NATURE

Expenses by nature <i>[in K €]</i>	2007	2006
Depreciation/amortization of fixed and intangible assets and impairment	24,641	40,574
Other costs of materials	11,661	8,775
Personnel expenses	3,388	4,061
<b>Total</b>	<b>39,690</b>	<b>53,410</b>



## (6) OTHER OPERATING COSTS

Other operating costs amounting to 828,400 euros (p.y. 279,100 euros) only include foreign exchange losses.

## (7) INTEREST RESULT

The interest result for the business year 2007 came to -2,873,600 euros (p.y. -2,727,400 euros) and is comprised of:

Interest result [in K €]	2007	2006
Other interest receivable and similar income	67	267
Other interest payable and similar costs	-2,941	-2,994
<b>Total</b>	<b>-2,874</b>	<b>-2,727</b>

## (8) TAXES ON INCOME AND ON PROFITS

The tax result for the business year 2007 consisted of income from the release of accruals for deferred taxes of 2,864,700 euros (p.y. 1,605,300 euros) and current tax expenses of 7,600 euros (p.y. 17,900 euros). Tax income is calculated by applying the German tax rate of 32,98 percent (p.y. 40.86 percent), which was reduced by the Company tax reform law 2008.



<b>Determination of the German tax rate</b>	
Corporate income tax rate	15.00%
Solidarity surcharge	0.83%
Trade tax rate	17.15%
<b>Calculated German tax rate</b>	<b>32.98%</b>

<b>Reconciliation of tax result</b> <i>[in K €]</i>	<b>2007</b>	<b>2006</b>
<b>Result before tax</b>	<b>-16,947</b>	<b>-22,873</b>
Calculated tax income/expenditure at tax rate of 32,98% (p.y. 40.86%)	5,588	9,346
Not clearable with tax losses	-1,753	-18,168
Used tax losses carried forward	369	10,650
Non-deductible operating expenses	-14	-80
Effect of tax rate change	-1,335	0
Result from equity investments	2	-161
<b>Actual tax income</b>	<b>2,857</b>	<b>1,587</b>

Deferred taxes amounting to 2,864,700 euros were calculated as follows:

<b>Deferred taxes</b> <i>[in K €]</i>	<b>2006</b>	<b>2005</b>
Temporary differences in film assets	2,882	2,047
Exchange rate changes	-27	-442
<b>Total</b>	<b>2,865</b>	<b>1,605</b>



Temporary differences [in K €]	Dec 31, 2007		Dec 31, 2006	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Temporary differences in film assets	0	0	10,650	13,542
Temporary differences from the issuance of equity instruments	369	369	0	0
<b>Total</b>	<b>369</b>	<b>369</b>	<b>10,650</b>	<b>13,542</b>
<b>Total (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,892</b>

The Internationalmedia Group has not capitalized any deferred taxes in excess of its deferred tax liabilities. The Group has remaining carried forward tax losses in the amount of 258,841,000 euros (p.y. 254,788,000 euros), which can be offset against future taxable income. Parts of these carried forward tax losses are limited by time and utilization.



## (9) EARNINGS PER SHARE

Basic earnings per share are calculated according to IAS 33 by dividing the result after tax by the weighted average number of outstanding shares. Prior year's figures are adjusted to the capital restructuring of 2007 according to IAS 33.

Earnings per share	2007	2006 adjusted
Net loss (in K €)	-14,090	-21,286
Weighted average number of shares outstanding	4,741,228	4,733,703
<b>Undiluted earnings per share (in €)</b>	<b>-2.97</b>	<b>-4.50</b>
Net loss (in K €)	-14,090	-21,286
Bonds with warrants	489	115
Zero coupon convertible bond	294	252
Stock options	191	123
<b>Diluted earnings</b>	<b>-13,116</b>	<b>-20,796</b>
Weighted average number of shares outstanding	4,741,228	4,733,703
Weighted average number of potential shares from bonds with warrants	0	0
Weighted average number of potential shares from zero coupon convertible bond	0	0
Weighted average number of potential shares from stock options	0	0
<b>Sum of weighted number and potential shares in units</b>	<b>4,741,228</b>	<b>4,733,703</b>
<b>Diluted earnings per share (in €)</b>	<b>-2.97</b>	<b>-4.50</b>





## III. Notes to the Consolidated Balance Sheet

### ASSETS

#### CURRENT ASSETS

##### (10) CASH AND CASH EQUIVALENTS

Liquidity, recorded at its nominal value, consists of cash on hand and bank balances. These amounted to 302,200 euros (p.y. 22,895,500 euros) at the balance sheet date. The effective interest rates for short-term bank deposits varied between 2.5 percent and 5.7 percent.

##### (11) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable relate to the licensing of films. The book value of the receivables approximates the fair market value.

##### (12) CAPITALIZED FILM DEVELOPMENT COSTS

Capitalized development costs consist mainly of direct third party costs for film development and pre-production. In the 2007 business year development costs in the amount of 630,100 euros (p.y. 8,325,400 euros) were depreciated.



## ( 13 ) OTHER AND FINANCIAL ASSETS

The breakdown of other and financial assets is shown in the following table:

Other and financial assets <i>[in K€]</i>	Dec 31, 2007	Dec 31, 2006
Pre-payments for film productions	2,236	3,210
Proceeds from warrant bond	1,031	253
VAT refund claims	549	706
Prepaid expenses	99	122
Deposits	92	128
Other securities	0	5,666
Accrued interests	0	13
Miscellaneous other assets	117	102
<b>Total</b>	<b>4,124</b>	<b>10,200</b>

The book value of the other assets approximates the fair market value.

## NON - CURRENT ASSETS

### ( 14 ) FIXED ASSETS

The change in fixed assets is mainly a result of the effects of foreign exchange currency and ordinary depreciations.







## (16) FILM ASSETS AND OTHER INTANGIBLE ASSETS

Intangible assets are comprised mainly of film and license assets. Film rights amortization does not include any impairment loss. All film assets were revaluated using the discounted cash flow method. There are hidden reserves included in the film assets.

## SHAREHOLDERS' EQUITY AND LIABILITIES

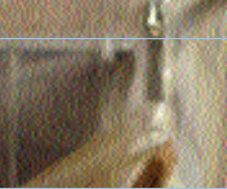
### (16) LIABILITIES

Liabilities to banks from loans and against third parties are secured by assignments of certain specified cash flows resulting from film licensing activities, by the assignments of receivables and by the film rights itself.

In the 2005 business year, IM Internationalmedia AG issued a bond with warrants, as well as a zero coupon convertible bond. Both instruments are accounted for in accordance to the standards of IAS 32 and IAS 39. Liabilities from the issuance of equity instruments include the liability part of the bond with warrants issued on September 6, 2005 and the liability part of the zero coupon convertible bond 2005/2010, which was issued in connection with a public offering on December 12, 2005. The post-issuance valuation of the bonds resulted in expenses of 372,000 euros (p.y. 367,000 euros).

The zero coupon convertible bond is due on June 30, 2009 and the bond with warrants is due on October 31, 2010.

In the 2006 business year, the Company issued a bond with warrants with a nominal value of up to 3,016,200 euros. 252,800 euros of such bond warrant were placed on December 29, 2006 the rest on January 25, 2007. The instrument is accounted for in accordance to the standards of IAS 32 and IAS 39. The post-issuance valuation of the bond resulted in expenses of 399,000



euros (p.y. 0 euros). The bond with warrants is divided into up to 75,405 bond notes with warrants with a nominal value of 40.00 Euros per note and with a term ending November 30, 2011 (inclusive). Each bond note with warrants is combined with a separable option issued by the Company providing entitlement to the acquisition of 120 voting bearer ordinary shares at a price of 1.00 Euro each. The options were exercisable for the first time on March 30, 2007. Interest will be paid on a quarterly basis.

In the 2007 business year, the Company issued a bond with warrants with a nominal value of up to 3,016,200 euros. Thereof 1,043,840 euros of such bond warrants were placed until the balance sheet date. The instrument is accounted for in accordance to the standards of IAS 32 and IAS 39. The post-issuance valuation of the bond resulted in expenses of 9,000 euros (p.y. 0 euros). The equity component increased the capital reserve by 106,000 euros. The bond with warrants is divided into up to 150,014 bond notes with warrants with a nominal value of 20.00 Euros per note and with a term ending November 29, 2010. Each bond note with warrants is combined with a separable option issued by the Company providing entitlement to the acquisition of 140 voting bearer ordinary shares at a price of 1.10 euros each. To the end of the business year holders of the option rights attached to the bond with warrants exercised their rights. Through payment of 6,493 options the Company received proceeds in the amount of 999,922 euros whereby 909,020 new no-par value bearer shares were issued and the capital surplus has increased the capital reserve by 90,020 euros. Parts of the placement and exercise proceeds (1,031,000 euros) are shown in other assets.

The liabilities are made up as follows:

Liabilities <i>[in K €]</i>	Maturity Dec 31, 2007			Maturity Dec 31, 2006		
	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Loan liabilities	17,391	3,123	20,514	33,180	19,462	52,642
Liabilities from issuance of equity instruments	0	5,932	5,932	0	2,312	2,312
Payments received on account of orders	1,807	0	1,807	2,914	0	2,914
Trade accounts payable	885	0	885	1,065	0	1,065
Other liabilities	262	0	262	55	0	55
<b>Total</b>	<b>20,345</b>	<b>9,055</b>	<b>29,400</b>	<b>37,214</b>	<b>21,774</b>	<b>58,988</b>



Loan liabilities result from different circumstances. Included is the remaining balance of the production loan for THE HUNTING PARTY (aka SPRING BREAK IN BOSNIA) in amount of 1,607,000 euros (p.y. 9,426,000 euros). It was charged with an interest rate of US-dollar Libor plus 2 percent up to a maximum of 8 percent and has since been repaid by today. Also included is a loan from R Media Acquisition LLC in amount of 5,431,000 euros (p.y. 0 euros) for the taking over of liabilities and obligations with regards to the cancellation of the production STOPPING POWER. It is secured by a second lien on the film library. The loan can be repaid early by transferring certain library films with the approval of existing contracting parties. An interest rate of 7 percent is charged. In addition, loan liabilities also include a loan from Octave-1 Fund, Ltd. in amount of 13,367 euros (p.y. 14,260 euros), which has an interest rate of 13, 14 and 14.5 percent and is secured by assignments of certain specified cash flows resulting from film licensing activities, by the assignments of receivables and by a first lien on the film rights itself. The remaining balance of 109,000 euros (p.y. 0) results from a working capital credit line to secure short term liquidity. It is charged with an interest rate of 17 percent.

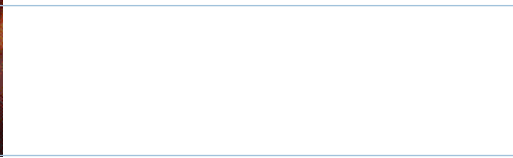
The interest rates for liabilities range from 4.8 percent to 17.0 percent.

## (17) OTHER ACCRUED LIABILITIES

Accrued liabilities for residuals and participations include mainly net proceed participations and equity repatriation obligations to producers and other talent.

Other accrued liabilities are set out in the following table:

Other accrued liabilities [in K€]	Dec 31, 2007 Maturity		Dec 31, 2006 Maturity	
	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year
Accrued liabilities for residuals and participations	13,231	54,153	18,361	63,726
Other accrued liabilities	998	0	675	0
<b>Total</b>	<b>14,229</b>	<b>54,153</b>	<b>19,036</b>	<b>63,726</b>



## (18) SCHEDULE OF ACCRUED LIABILITIES

Accrued liabilities schedule [in K €]	Accrued liabilities for:		
	Residuals	Other	Total
<b>Balance on Jan 1, 2007</b>	<b>82,087</b>	<b>675</b>	<b>82,762</b>
Additions	2,629	998	3,627
Utilization	-9,578	-652	-10,230
CTA	-7,754	-23	-7,777
<b>Total Dec 31, 2007</b>	<b>67,384</b>	<b>998</b>	<b>68,382</b>

## (19) DEFERRED TAX LIABILITIES

Further information concerning deferred taxes is to be found in note (9) "Taxes on Income and on Profits".

## EQUITY

### (20) SUBSCRIBED CAPITAL

The subscribed capital of IM Internationalmedia AG amounting to 5,642,777.00 euros on the balance sheet date consists of 5,642,777 no-par value bearer shares with a mathematical interest in capital of 1 euro each. Subscribed capital was fully paid in.

### AUTHORIZED CAPITAL

The Company held three general shareholder meetings in the year 2007. With resolution of the ordinary general shareholder meeting on June 8, 2007, the Authorized Capital 2004/I was cancelled and an Authorized Capital 2007 in amount of 21,301,906.00 euros was created. No usage of the Authorized Capital 2007 has taken place in 2007.



## CONTINGENT CAPITAL

The ordinary shareholder meeting on June 8, 2007 also resolved,

- contingent increase of subscribed capital with regard to the Contingent Capital 2000 partly repealed; the contingent increase by the issuance of new no-par value bearer shares to avail stock option rights of IM Internationalmedia AG's Stock Option Plan 2000 is now limited to an amount of up to 161,000 euros
- contingent increase of subscribed capital with regard to the Contingent Capital 2005/I partly repealed; the contingent increase by the issuance of new no-par value bearer shares to avail stock option rights of IM Internationalmedia AG's Stock Option Plan 2005 is now limited to an amount of up to 400,000 euros
- contingent increase of subscribed capital with regard to the Contingent Capital 2004/I increased; the contingent increase by the issuance of new no-par value bearer shares to owners or creditors of options and/or convertible bonds is therefore increased to an amount of up to 20,740,906 euros.

Forced by the operative and financial consequences of the cancellation of the production of STOPPING POWER, the Management Board had to call an extraordinary general shareholder meeting immediately in September 2007 notifying the shareholders on October 17, 2007 about the loss which amounted to more than half of the Company's subscribed capital according to sec. 92 para. 1 of the German Stock Corporation Act.

On the subsequent second extraordinary general shareholder meeting on December 3, 2007, it was also resolved that the subscribed capital in amount of 42,603,813.00 euros shall be reduced by 37,870,056.00 euros to 4,733,757.00 euros divided into 4,733,757 no-par value bearer shares. The reduction followed the regulation of a simplified capital reduction according to sec. 229 of the German Stock Companies Law (AktG) and equaled a ratio of 9:1 to cover impairments in amount of 37,410,336.27 euros as of September 30, 2007 and other losses as well as to increase the capital reserve by 459,719.73 euros.

To the end of the business year holders of the option rights attached to the warrant bond 2007/2010 exercised their rights. Through payment of 6,493 options the Company received



proceeds in the amount of 999,922 euros whereby 909,020 new no-par value bearer shares were issued. Thereby Contingent Capital 2004/I was reduced to 19,831,886 euros.

As of balance sheet date 84,688 convertible bonds with a nominal value of 20.00 euros from the zero coupon convertible bond 2005 and 75,405 warrant bond notes with a nominal value of 40.00 euros from the warrant bond 2006/2011 as well as 52,192 warrant bond notes with a nominal value of 20.00 euros from the warrant bond 2007/2010 are issued.

Equity has decreased by 13,305,000 euros compared to the year before. This change is based on the result after tax (-14,090,000 euros) and the accounting for equity instruments (1,571,000 euros) and translation differences (-786,000 euros).

## ( 2 1 ) C O N T I N G E N C I E S

As of December 31, 2007, guarantees and contingencies in amount of 53,000 euros are outstanding (p.y. 0 euros).

## ( 2 2 ) O T H E R C O N T I N G E N T L I A B I L I T I E S

As of the balance sheet date, the following financial obligations were outstanding, resulting from services, rentals and lease obligations:

Other contingent liabilities <i>[in K€]</i>	Up to 1 year	Between 1 and 5 years	More than 5 years	Dec 31, 2007 Total	Dec 31, 2006 Total
Rental and leasing contracts	424	891	0	1,315	1,750
Producer and writer contracts	46	0	0	46	183
<b>Total</b>	<b>470</b>	<b>891</b>	<b>0</b>	<b>1,361</b>	<b>1,933</b>



The schedule for previous year shows the following:

<b>Other contingent liabilities</b> <i>[in K €]</i>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Dec 31, 2006 Total</b>	<b>Dec 31, 2005 Total</b>
Rental and leasing contracts	394	1,356	0	1,750	1,193
Producer and writer contracts	183	0	0	183	457
<b>Total</b>	<b>577</b>	<b>1,356</b>	<b>0</b>	<b>1,933</b>	<b>1,650</b>

## (23) ADDITIONAL INFORMATION ACCORDING TO IFRS 7

Concerning the used accounting and valuation principles we refer to our explanations in section I. "General".

### BOOK VALUES, VALUATIONS, AND FAIR VALUES BY CATEGORY

According to IAS 39 all financial instruments on the asset side of the balance sheet belong to the category "loans and receivables", all financial instruments on the liability side of the balance sheet belong to the category "financial liabilities measured as amortized cost". Apart from cash and liabilities from the issuance of equity instruments the book values of the financial instruments are measured at amortized acquisition costs and approximate their fair values. The book values of liabilities from the issuance of equity instruments are determined using the effective interest rate method. The fair values in amount of 7,052,000 euros (p.y. 3,082,000 euros) are by 1,120,000 euros higher than their book values. Cash is reported with the market values.

Total interest expenses for liabilities from the issuance of equity instruments in 2007 amount to 780,000 euros (p.y. 367,000 euros). The category "loans and receivables" showed earnings in amount of 34,000 euros (p.y. -228,000 euros). The category "financial liabilities measured at amortized costs" showed a loss of 2,161,000 euros (p.y. 2,627,000 euros).

As of balance sheet date financial instruments with an book value of 44,000 euros (p.y. 39,000 euros) are pledged as security for the Octave-1 Fund, Ltd. loan (see also (16) Liabilities).



In 2007, only for trade receivables an impairment loss (33,000 euros; p.y. 495,000 euros) had to be recognized. Additions to bad debt provisions in 2006 and 2007 were offset by reversals in 2007 in amount of 307,000 euros. The provision account as of December 31, 2007 amounts to 92,000 euros (p.y. 366,000 euros).

## MATURITY ANALYSIS FOR FINANCIAL INSTRUMENTS

The following table shows the contractual undiscounted interest and repayment schedule.

Financial liabilities [in K€]	book value Dec. 31, 2007	Cash Flow 2008		Cash Flow 2009		Cash Flow 2010		Cash Flow 2011	
		interest fix	repayment	interest fix	repayment	interest fix	repayment	interest fix	repayment
Loan liabilities	20,514	2,116	17,391	116	3,123	0	0	0	0
Liabilities from the issuance of equity instruments	5,932	494	0	457	679	397	3,754	276	3,016
Advanced payments received	1,807	0	1,807	0	0	0	0	0	0
Trade accounts payable	885	0	885	0	0	0	0	0	0
Other current liabilities	262	0	262	0	0	0	0	0	0

## AGING ANALYSIS FOR FINANCIAL INSTRUMENTS

Financial assets [in K€]	book value Dec. 31, 2007	thereof not reserved or due	due in				
			less than 30 days	between 30 and 60 days	between 61 und 90 days	between 91 and 180 days	between 181 and 360 days
Trade accounts receivable	1,535	1,394	0	367	495	94	438
Other current assets	4,124	4,124	1,031	99	559	651	1,784





For the balances not reserved or due there are no indications that debtors will not meet their commitments.

The maximal credit risks of the category "loans and receivables" equal their fair values.

Concerning additional information according to IFRS 7 we refer to section V. "Risk Management" and to our explanations in the risk report as part of our consolidated management report.

## IV. Notes to the Cash Flow Statement

### (24) CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities decreased to 5,395,000 euros due to lower business volume and the related lower inflow of minimum guarantee payments during the reporting year. The non-cash element of interest expenses and income is recognized under changes in other liabilities and accrued liabilities and under other current assets.

### (25) CASH FLOW FROM INVESTING ACTIVITIES - INVESTMENT IN INTANGIBLE ASSETS

Investments in film and related intellectual property assets, including payments on account, are shown under investing activities within the cash flow statement.

### (26) CASH FLOW FROM FINANCING ACTIVITIES

Based on repayments of short- and medium-term borrowings and proceeds from new production loans as well from the issuance of equity instruments, cash flow from financing activities was -28,058,000 euros.



## ( 27 ) C A S H A N D C A S H E Q U I V A L E N T S

The cash and cash equivalents consist of checks, cash on hand, and bank-held deposits.

## V . R i s k M a n a g e m e n t

The Internationalmedia Group is exposed to a number of risks that may influence the financial condition, assets and operating results of the Group. The Company has therefore implemented a risk management system for the entire Group that provides management with early indicators and benchmarks necessary to take appropriate measures to avoid risks and reduce the negative consequences stemming therefrom. The Internationalmedia Group's management focuses on the Company's liquidity, profitability, and revenue growth, among others, as the primary indicators of financial performance. The following examples show some of the typical risks of the Internationalmedia Group.

### M o n e t a r y R i s k

The Internationalmedia Group's cash and cash equivalents as available are mainly invested in money market securities. This balances the need to safeguard the Group's liquidity by achieving the best possible return on its money.

Investments are also made in time deposits with maturities of between one and three months. Such investments are always based on the LIBOR (London Interbank Offered Rate), and because of their much lower risk, are preferred to higher risk securities offering a higher return.

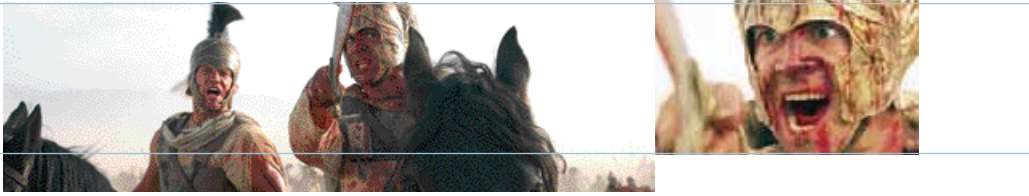
Liabilities connected with film productions are generally secured by the film itself, as well as by a completion bond, which is a completion guarantee issued by an insurance company. There is usually no or only limited recourse to the Company under such arrangements.



Net liquidity of IM Internationalmedia AG and the Internationalmedia Group threatens its going concern status due to impacts of STOPPING POWER. Therefore, the Internationalmedia Group's going concern status continues to depend on management's ability to finance the continued operations of the Group through the reinvestment of revenues from operations and/or through raising debt or equity financing. Thus, the going concern status of the Company ultimately depends on the success of its business activities (i.e. to what extent financing and producer fees that result from the production of motion picture and TV projects and library income can cover overhead, film development costs, and interest and principal repayment with respect to the Company's debt financing). Because the production and exploitation of feature films is basically a project-related business, it is prone to postponements and cancellations of planned projects. The short- and mid-term cash forecast of the Internationalmedia Group builds upon the premise that the Company achieves a certain number of production starts and a certain level of revenue from the re-licensing of library titles as well as the recapitalization through the issuance of new shares.

In order to better control capital management and necessary liquidity to serve its liabilities the Company aims to combine all non-film debts with one major borrower. In a first step this will create a certain dependency but also gives the Company the opportunity to improve contractual modalities and therefore planning reliability. However, if such combination and focusing on one borrower leads to adverse credit terms such dependency can also degrade the solvency situation of the Group.

If some or all of these planned projects or re-licensings were not realized due to external (market environment) or internal (management) reasons, and further management does not succeed in acquiring adequate alternative financing, this could result in cash shortages within the Internationalmedia Group that could, in a worst-case scenario, threaten its existence or going concern status.



## Exchange Rate Risks

The main transaction currency of the Internationalmedia Group is the US-dollar, as international sales revenues and most of its operating expenses are executed in US-dollars. Therefore, the Internationalmedia Group's exposure to a possible euros/US-dollar exchange rate risk is minimal and only affects the Company's reporting. To the external reader, the reported financials appear either better or worse, depending on the euro/US-dollar exchange rate. For IM Internationalmedia AG, exchange rate risk exists due to the requirement under the German Commercial Code (HGB) that statutory accounts strictly reflect the lesser of either cost or market principle. Additionally, the Internationalmedia Group may be affected indirectly by the effect that exchange rates have on regional film buyers.

## Interest Rate Risk

At reporting date all financial instruments are subject to a fixed interest rate. While all market interest rate changes do only have an impact on the result of financial instruments when evaluated at fair value, all financial instruments measured at amortized costs are not subject to risks in change in interest rates according to IFRS 7.

## Other Risks

The potential strikes of the Screen Actors Guild (SAG) and the Directors Guild of America (DGA) at the end of June may cause delays in planned projects and productions and at worst case may lead to the complete cancellation of these projects.

Explanations to other risks can be found in the consolidated management report.



## VI. Details of the Stock Option Plan

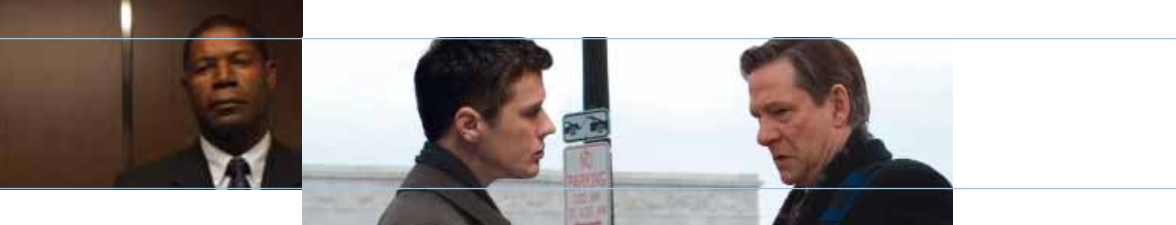
### (28) DETAILS OF THE STOCK OPTION PLAN

The objectives of the program are to recruit and retain employees and to secure the success of the enterprise by enabling employees to purchase shares in the Company.

Under the Stock Option Plan 2000, the Company was authorized to issue to employees a total of 1,500,000 options to purchase shares in IM Internationalmedia AG between May 16, 2000 and May 21, 2006. One third of the options are reserved for members of the Management Board, a second third for senior executives and members of subsidiary companies' management, and the final third for all other employees. The options entitle the owner to purchase shares in the Company at a price equal to the share price on the day of grant plus 10 percent. The options can be redeemed in three installments: 33 percent after two years, another 33 percent at the end of three years, and the remaining 33 percent after four years from the time the option rights were granted. In each case, exercise is only possible within four weeks after the publication of quarterly results. Under the Stock Option Plan 2000, option rights can only be exercised as long as the owner is employed at IM Internationalmedia AG or at a subsidiary company. Options are not transferable.

The weighted average contract lifespan of the outstanding options with an exercise price of 35.20 euros amounts to 0.38 and 2.24 years for the options with an exercise price of 1.00 euro.

Stock Option Plan 2000	Number of options
Balance at beginning of business year	233,500
Granted	0
Exercised	0
Expired	- 129,833
<b>Balance at end of business year</b>	<b>103,667</b>
<b>Of which may be exercised</b>	<b>103,667</b>



By a shareholder resolution adopted at the Annual General Meeting on August 23, 2005, the Stock Option Plan 2000 was replaced by the Stock Option Plan 2005. In accordance to this new plan, the Company can issue to employees up to 1,700,000 share options in IM Internationalmedia AG until August 23, 2009. 1,000,000 of the options are reserved for members of the Management Board, 400,000 for senior executives and members of subsidiary companies' management, and 300,000 for all other employees. The exercise price for the granted options will be calculated based upon share price. If the share price as of December 31 has increased by at least 50 percent compared to January 1 of the same year, the exercise price equals 80 percent of the share price at closing on the date of grant. If the share price as of December 31 has increased between 25 and 50 percent compared to January 1 of the same year, the exercise price equals 90 percent of the share price at closing on the date of grant. For all other cases, the exercise price equals the share price at closing on the date of grant. The minimum exercise price in each case is the minimum exercise price in accordance to sec. 9 para. 1 AktG (German Stock Corporation Act). The options have a term of six years after issuance to the beneficiary. After this term, unexercised options expire. In the 2007 business year no options were granted. The options granted until today (250,000) have a remaining lifespan of 4.2 years with an exercise price of 1.16 euros.



## VII. Other Information

### (29) MEMBERS OF THE MANAGEMENT BOARD DURING THE BUSINESS YEAR 2007:

Management board		Aufsichtsratsmandate
Mr. Konstantin Thoeren (since October 2007)	Chairman from October to November 2007 Sole member since November 2007	none
Mr. Sascha Konzack (from March to November 2007)	CFO from March to July 2007 Sole member from July to October 2007 CFO from October to November 2007	n.a.
Mr. Martin Schürmann (to July 2007)	Sole member to March 2007 Chairman from March to July 2007	n.a.

### (30) MEMBERS OF THE SUPERVISORY BOARD DURING THE BUSINESS YEAR 2007:

Supervisory Board		Profession	Other Supervisory Board Duties
Mr. Prof. Dr. Helmut Thoma (since March 8, 2006)	Chairman	Media consultant	Chairman: freenet.de AG, Hamburg Member: PrimaCom AG, Mainz Typhoon AG, Köln Deutsches Anlegerfernsehen AG, Kaulbach
Mr. Oliver Kächele (since August 23, 2005)	Vice chairman	CPA and Tax advisor	Member: PTI Proton Therapy Institute AG, Munich
Mr. Ortwin Freyermuth (since November 21, 2007)		Lawyer	None
Mr. Konstantin Thoeren (to October 25, 2007)		Producer	None



Members of the Management Board and the Supervisory Board	Dec 31, 2007 <i>[in units]</i>		Dec 31, 2006 <i>[in units]</i>	
	Shares	Options	Shares	Options
Mr. Konstantin Thoeren	0	0	0	n.a.
Mr. Prof. Dr. Helmut Thoma	0	n.a.	0	n.a.
Mr. Oliver Kächele	0	n.a.	0	n.a.
Mr. Ortwin Freyemuth	0	n.a.	n.a.	n.a.
Mr. Sascha Konzack	n.a. <sup>1)</sup>	n.a. <sup>1)</sup>	0	0
Mr. Martin Schürmann	n.a. <sup>1)</sup>	n.a. <sup>1)</sup>	2,000,000	0

*1) No longer a member of the Management Board*

### ( 3 2 ) C O R P O R A T E G O V E R N A N C E S T A T E M E N T

IM Internationalmedia AG supports the efforts of the Government Commission on the German Corporate Governance Code aimed at enforcing financial market and investor trust in listed German companies through the issuance of numerous recommendations combined with strict compliance with disclosure requirements.

IM Internationalmedia AG has issued a statement according to sec. 161 AktG (German Stock Corporate Act) and has made it available to shareholders. The statement is published on the internet under [www.internationalmedia.de](http://www.internationalmedia.de).

### ( 3 3 ) S T R U C T U R E O F T H E M A N A G E M E N T B O A R D C O M P E N S A T I O N S Y S T E M

The overall compensation of the Management Board members is comprised of both a fixed salary and a variable component. The fixed components are linked to the responsibilities and tasks of the respective member of the Management Board and his performance, taking into account the







Board's peer companies and the regional environment. Variable compensation includes bonus payments and stock options. Bonus payments are granted to the Management Board members based upon both achieving personal goals and corporate objectives. Personal goals are attributed to the individual responsibilities and tasks of Management Board members. Corporate objectives include the standard benchmarks such as liquidity and earnings figures.

Martin Schuermann received his fixed salary in the amount of 401,000 euros until his resignation from Intermedia Film Equities USA, Inc., Los Angeles. The same applies for Konstantin Thoeren, whose fix compensation amounts to 124,000 euros for the business year 2007. Sascha Konzack (member of the Management Board from March to November 2007) received for his performance a fixed component of 133,000 euros and a variable component of 60,000 euros. Even though the Management Board is part of the stock option plan, no options were granted in 2007.

#### ( 3 4 ) S T R U C T U R E O F T H E S U P E R V I S O R Y B O A R D C O M P E N S A T I O N S Y S T E M

Pursuant to sec. 14 of the Articles of Association of IM Internationalmedia AG, dated February 19, 2007, Supervisory Board compensation consists of fixed and variable components. The fixed component amounts to a net of 20,000.00 euros for a complete business year. The Chairperson of the Supervisory Board receives a net of 40,000.00 euros. The variable component consists of amounts of up to 0.25 percent of the Company group's EBIT for that complete business year and is conditioned upon the participation of the member in all ordinary and extraordinary Supervisory Board meetings.

In the 2007 business year, the compensation of the Supervisory Board amounted to a total of 80,000 euros (p.y. 75,000 euros).

#### ( 3 5 ) R E L A T E D P A R T I E S ' T R A N S A C T I O N S

Under IAS 24, the management of IM Internationalmedia AG, its shareholders, and the Supervisory Board are considered "related parties". In 2007, no transactions with related parties were consummated.



### ( 3 6 ) N U M B E R O F E M P L O Y E E S

In the 2007 business year, the Internationalmedia Group employed an average of 25 people. On December 31, 2007, there were a total of 20 employees.

### ( 3 7 ) S U B S E Q U E N T E V E N T S

Effective March 1, 2008, the Supervisory Board of IM Internationalmedia AG appointed Mr. Sascha R. Prestel as a new member of the Company's Management Board. He is responsible for the areas of finance, investor relations, corporate communication, administration and human resources.

After the balance sheet date December 31, 2007, option holders made use of their option rights to exercise options from the warrant bond 2007/2010. Through the exercise and payment of 13,489 options the Company received cash in the amount of 2,077,306.00 euros whereby 1,888,460 new no-par value bearer shares have been issued. With this the Contingent Capital 2004/I decreases to 17,943,426.00 Euros.

Through the exercise of options Eluvium Holdings GmbH obtained a voting interest in the amount of 37.04 percent of IM Internationalmedia AG on March 7, 2008. Eluvium Holdings GmbH published the notification of its attainment of control of IM Internationalmedia AG pursuant to sec. 35 para. 1 in conjunction with sec. 10 para. 3 of the German Securities Acquisition and Take Over Act (WpÜG) on March 7, 2008. Following the approval of the publication of the offer document by the federal agency for financial services supervision (BaFin), Eluvium Holdings GmbH will publish its mandatory offer to the remaining shareholders of IM Internationalmedia AG in accordance with sec. 35 para. 2 WpÜG.

Effective on January 9, 2008 the Internationalmedia Group sold all of its shares of MEI Film Limited, UK at a market sale price of 100,000 US-dollars. Besides already exploited first cycle rights the Company possessed tax losses carried-forward.

Munich, March 19, 2008

IM Internationalmedia AG - Management Board

Konstantin Thoeren  
Chairman

Sascha R. Prestel



## Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

Munich, March 19, 2008

IM Internationalmedia AG - Der Vorstand

Konstantin Thoeren  
*Chairman*

Sascha R. Prestel



## Auditor's report

(Translation - only German text is authoritative)

"We have audited the consolidated financial statements prepared by the IM Internationalmedia AG, Munich, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report, which is combined with the management report of the IM Internationalmedia AG, Munich, for the business year from January 1st to December 31st, 2007. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent



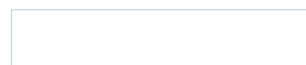
Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

It is our duty to draw attention to the fact that the existence of the company is threatened by the risk described in the section "Risk Management - monetary risks" of the combined management report. To secure its liquidity, the company is reliant on achieving its forecasts and the related cash-inflows as well as the effective reorganization of the debt financing structure.



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Significant variances from the cash-flow forecast or the failure to reorganize the financing structure could lead to a cash shortage which would threaten the existence of the company unless financing can be secured from another source."

Munich, March 20, 2008

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Andreas Fell  
*German Public Auditor*

ppa. Katharina Deni  
*German Public Auditor*



## Report of the Supervisory Board

During the 2007 business year, the Supervisory Board passed the required resolutions pursuant to its statutorily-established duties and was reported the status of the Company by the Management Board in 24 ordinary meetings (February 2, 2007, February 26, 2007, March 13, 2007, March 30, 2007, June 8, 2007, July 16, 2007, July 23, 2007, July 30, 2007, July 31, 2007, August 1, 2007, August 6, 2007, August 24, 2007, August 29, 2007, August 31, 2007, September 2, 2007, September 5, 2007, September 8, 2007, September 14, 2007, September 17, 2007, October 1st, 2007, October 17, 2007, October 22, 2007, October 24, 2007 and December 3, 2007), as well as in numerous individual meetings and calls.

The strategic changes, risk management, capital restructuring and the necessary consequences resulting from the developments around the production of STOPPING POWER, as well as corporate business development, and corporate strategic planning, including investments, corporate financing, and personnel management, formed the focal point of the oral and written reporting of IM Internationalmedia AG's Management Board.



Necessary resolutions were passed in 2007 during Supervisory Board meetings, as well as via circulars. No special committees were required. The full Supervisory Board gave advice and made decisions on all important topics of 2007.

The Supervisory Board regularly evaluates the application and development of company's corporate governance principles and during 2007 determined that IM Internationalmedia AG complied with the requirements of the German Corporate Governance Codex. The corporate governance statement adopted by the Supervisory Board includes only three variations, which are explained in detail within the statement. The corporate governance statement is published on the Company's web site ([www.internationalmedia.de](http://www.internationalmedia.de)).

The consolidated financial statements, as well as the statutory accounts of IM Internationalmedia AG as of December 31, 2007, have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which expressed unqualified opinions for both the consolidated financial statements and for the statutory accounts. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft's auditors' report, reflecting both the financial and the individual statements, was made available to the Supervisory Board and was discussed in detail with the auditors at the Supervisory Board meeting on March 19, 2008. Based on our examination of the documents made available by the auditors and the Management Board, we have no reservations and agree with the auditors' opinion.

The Supervisory Board approves the consolidated financial statements as well as the statutory accounts of IM Internationalmedia AG for the year 2007, and both are hereby ratified pursuant sec. 172 German Corporation Act (AktG).

The Supervisory Board expresses its thanks to the Management Board and all employees of IM Internationalmedia AG and its subsidiaries for their performance and commitment during 2007.

Munich, March 2008

Prof. Dr. Helmut Thoma  
*Chairman*



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Group Data





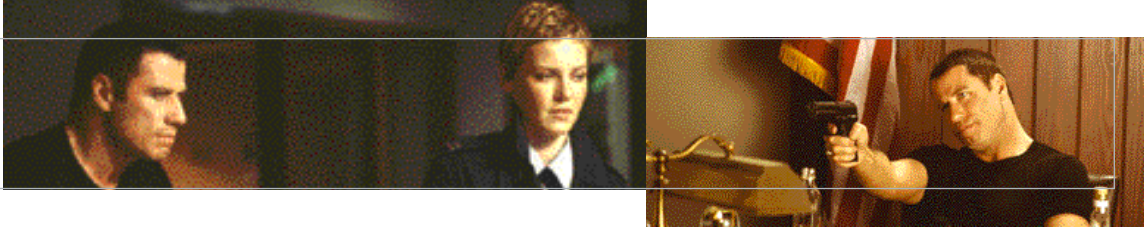
ONE MISSED CALL

Shannyn Sossamon  
Ed Burns









# Locations (including significant subsidiaries)



## Germany

### IM Internationalmedia AG

Kaulbachstr. 1  
80539 Munich  
Tel.: +49 (89) 98 107-100  
Fax: +49 (89) 98 107-199  
[www.internationalmedia.de](http://www.internationalmedia.de)  
[info@internationalmedia.de](mailto:info@internationalmedia.de)

## USA

### Intermedia Film Equities USA, Inc.

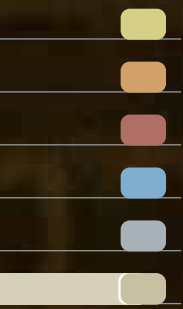
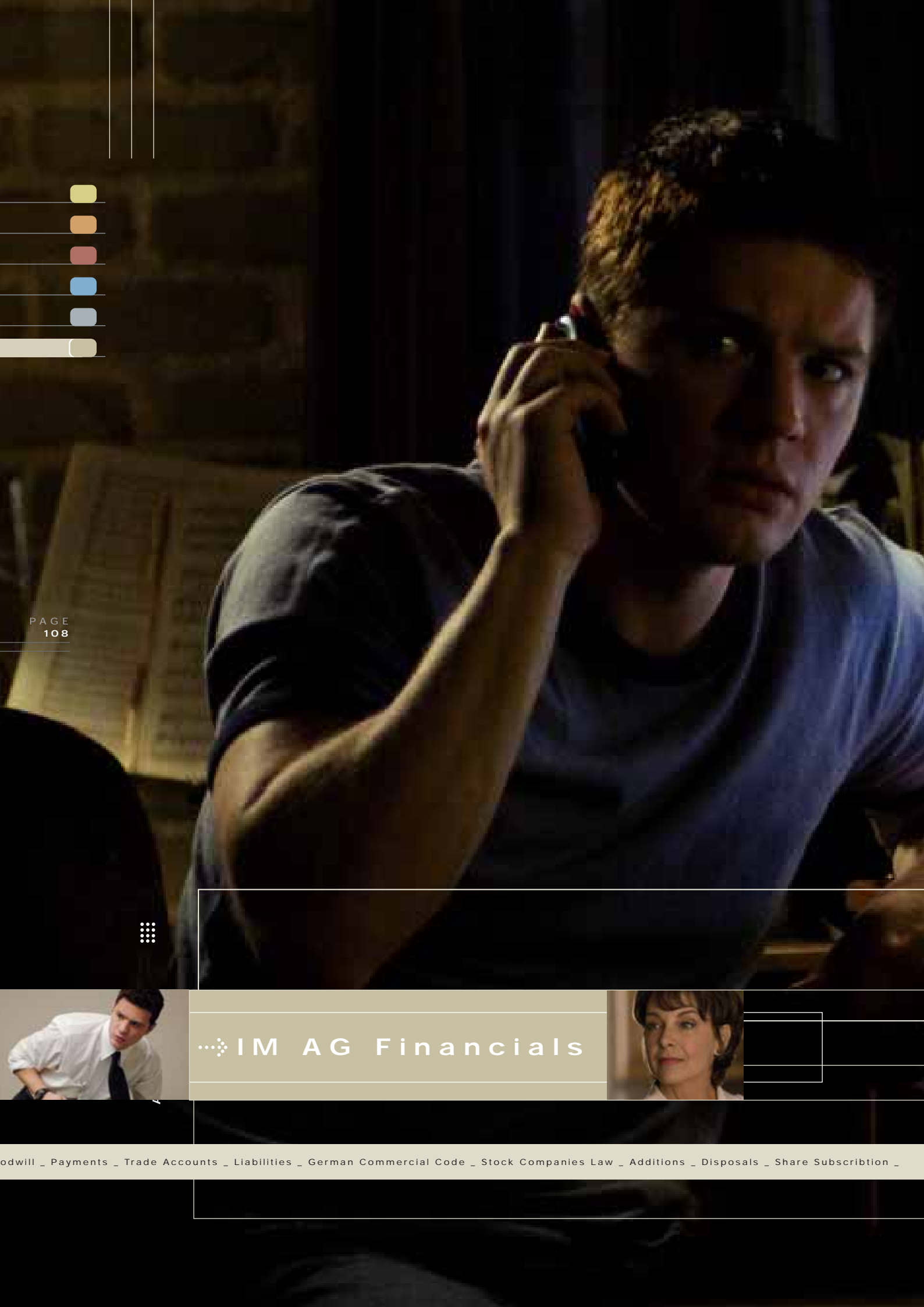
9242 Beverly Blvd.  
Suite 201  
Beverly Hills, CA 90210  
Tel.: +1 (310) 777-0007  
Fax: +1 (310) 777-0008  
[www.intermediafilm.com](http://www.intermediafilm.com)

## United Kingdom

### Intermedia Film Equities Ltd.

6 Kingly Street  
London, W1B 5PF  
Tel.: +44 (207) 292 4790  
Fax: +44 (207) 292 4799





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IM AG Financials







## IM Internationalmedia AG Balance Sheet

AS OF DECEMBER 31, 2007 AS PER HGB

<b>Assets</b>	Notes	Dec 31, 2007	Dec 31, 2006
<i>[in €]</i>			
<b>A. Non-current assets</b>			
Intangible assets			
Franchises, trademarks, patents, licenses and similar rights		572.19	1,176.33
<b>Total intangible assets</b>	<b>(1)</b>	<b>572.19</b>	<b>1,176.33</b>
Fixed assets			
Other fixed assets, fixtures and fittings		18,100.73	37,179.29
<b>Total fixed assets</b>	<b>(2)</b>	<b>18,100.73</b>	<b>37,179.29</b>
Financial assets			
Investments in subsidiaries		24,500,000.00	56,326,868.34
<b>Total financial assets</b>	<b>(3)</b>	<b>24,500,000.00</b>	<b>56,326,868.34</b>
<b>Total non-current assets</b>		<b>24,518,672.92</b>	<b>56,365,223.96</b>
<b>B. Current assets</b>			
Accounts receivable and other assets			
Trade accounts receivable		4,615.89	4,615.89
Intercompany receivables		0.00	13,318,036.35
Other current assets thereof against subsidiary companies € 3,246,898.95 (p. y. € 0)		1,543,025.69	3,940,536.34
<b>Total accounts receivable and other assets</b>	<b>(4)</b>	<b>1,547,641.58</b>	<b>17,263,188.58</b>
Other marketable securities	(4)	0.00	5,666,127.71
Checks, cash on hand and in banks	(5)	60,521.17	848,276.59
<b>Total current assets</b>		<b>1,608,162.75</b>	<b>23,777,592.88</b>
<b>C. Prepaid expenses</b>		<b>11,744.00</b>	<b>15,006.00</b>
<b>Total assets</b>		<b>26,138,579.67</b>	<b>80,157,822.84</b>

## Shareholders' equity and liabilities

[in €]

Notes

Dec 31, 2007

Dec 31, 2006

### A. Shareholders' equity

Subscribed capital		5,642,777.00	42,603,813.00
Capital reserve		550,621.73	211,316,046.61
Loss/Gain carried forward		352,861.40	-195,731,055.22
<i>Contingent Capital € 20,392,886.00</i>			
<b>Total shareholders' equity</b>	<b>(6)</b>	<b>6,546,260.13</b>	<b>58,188,804.39</b>

### B. Accrued liabilities

Deferred tax liabilities	(7)	0.00	2,891,715.40
Other accrued liabilities	(8)	455,333.00	478,075.00
<b>Total accrued liabilities</b>		<b>455,333.00</b>	<b>3,369,790.40</b>

### C. Liabilities

Bonds of which convertible € 7,052,329.28 (p. y. € 3,082,260.38)	(9)	7,052,329.28	3,082,260.38
Bank loans	(10)	377.91	5,680,527.15
Trade accounts payable	(10)	109,870.89	49,920.78
Intercompany liabilities of which € 0.00 (p. y. € 0.00) with a remaining term of over one year	(10)	11,736,060.13	9,781,327.98
Other liabilities of which taxes € 8,580.90 (p. y. € 5,191.76) of which social security € 0.00 (p. y. € 0.00)	(10)	238,348.33	5,191.76
<b>Total Liabilities</b>		<b>19,136,986.54</b>	<b>18,599,228.05</b>

<b>Total shareholders' equity and liabilities</b>		<b>26,138,579.67</b>	<b>80,157,822.84</b>
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# IM Internationalmedia AG

## Income Statement

FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2007 AS PER HGB



[in €]	Notes	2007	2006
<b>Revenues</b>	(12)	<b>210,492.23</b>	<b>237,924.98</b>
Other operating income	(13)	81,900.56	834,146.81
<b>Total services and revenue</b>		<b>292,392.79</b>	<b>1,072,071.79</b>
Cost of materials	(14)	-104,705.85	-1,443,041.77
Personnel expenses	(15)	-381,884.92	-568,012.39
Depreciation on intangible and fixed assets		-20,966.83	-43,198.84
Other operating expenses	(16)	-18,362,990.22	-2,202,516.39
Depreciation on financial assets	(19)	-31,826,868.34	-31,109,075.50
Other interest and similar income of which from subsidiary companies € 794,124.95 (p.y. € 886,365.99)	(17)	849,308.49	1,098,619.28
Expenses from transfer of losses	(18)	-4,870,384.52	-11,008,935.63
Other interest and similar expenditures of which from subsidiary companies € -536,692.55 (p.y. € -168,236.88)	(17)	-1,102,644.47	-421,699.04
<b>Result from ordinary business activities</b>		<b>-55,528,743.87</b>	<b>-44,625,788.49</b>
Extraordinary income		0.00	37,455,860.48
<b>Extraordinary result</b>		<b>0.00</b>	<b>37,455,860.48</b>
<b>Result before taxes</b>		<b>-55,528,743.87</b>	<b>-7,169,928.01</b>
Taxes on income		2,886,277.61	2,033,119.08
<b>Net loss</b>		<b>-52,642,466.26</b>	<b>-5,136,808.93</b>
Loss brought forward from last year		-195,731,055.22	-190,594,246.29
Withdrawal from capital reserve		211,316,046.61	0.00
Receipts from capital reduction		37,870,056.00	0.00
Addition to capital reserve according to capital reduction regulations		-459,719.73	0.00
<b>Loss/Gain carried forward</b>		<b>352,861.40</b>	<b>-195,731,055.22</b>







## Schedule of Fixed Asset Movements

FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2007 AS PER HGB

[in €]	Brought Forward Jan 1, 2007	A C Q U I S I T I O N	
		Additions	Disposals
<b>Intangible assets</b>			
Franchises, trademarks, patents, licenses and similar rights	39,104.98	0.00	0.00
	<b>39,104.98</b>	<b>0.00</b>	<b>0.00</b>
<b>Fixed assets</b>			
Other fixed assets, fixtures and fittings	211,708.87	1,284.13	0.00
	<b>211,708.87</b>	<b>1,284.13</b>	<b>0.00</b>
<b>Financial assets</b>			
Investments in subsidiaries	115,805,070.29	0.00	0.00
	<b>115,805,070.29</b>	<b>0.00</b>	<b>0.00</b>
<b>Total fixed assets</b>	<b>116,055,884.14</b>	<b>1,284.13</b>	<b>0.00</b>

C O S T			D E P R E C I A T I O N		B O O K V A L U E	
Balance Dec 31, 2007	Brought Forward Jan 1, 2007	Additions	Disposals	Balance Dec 31, 2007	Dec 31, 2007	Dec 31, 2006
39,104.98	37,928.65	604.14	0.00	38,532.79	572.19	1,176.33
<b>39,104.98</b>	<b>37,928.65</b>	<b>604.14</b>	<b>0.00</b>	<b>38,532.79</b>	<b>572.19</b>	<b>1,176.33</b>
212,993.00	174,529.58	20,362.69	0.00	194,892.27	18,100.73	37,179.29
<b>212,993.00</b>	<b>174,529.58</b>	<b>20,362.69</b>	<b>0.00</b>	<b>194,892.27</b>	<b>18,100.73</b>	<b>37,179.29</b>
115,805,070.29	59,478,201.95	31,826,868.34	0.00	91,305,070.29	24,500,000.00	56,326,868.34
<b>115,805,070.29</b>	<b>59,478,201.95</b>	<b>31,826,868.34</b>	<b>0.00</b>	<b>91,305,070.29</b>	<b>24,500,000.00</b>	<b>56,326,868.34</b>
<b>116,057,168.27</b>	<b>59,690,660.18</b>	<b>31,847,835.17</b>	<b>0.00</b>	<b>91,538,495.35</b>	<b>24,518,672.92</b>	<b>56,365,223.96</b>





# Notes to the Financial Statements

## I. General

**IM Internationalmedia AG's objective is to manage its assets, including its own library of film rights, to acquire, establish, hold and manage interests and render services within the Group, as well as to develop, finance, produce and distribute media products of all kind. The subscribed capital of IM Internationalmedia AG amounts to 5,642,777.00 euros.**

This reduced amount compared to the year before is a result of a simplified capital reduction, which was resolved on the extraordinary shareholder meeting as of December 3, 2007, and was registered on December 15, 2007 at local court, as well as the exercise of 6,493 option rights from the warrant bond 2007/2010 leading to the issuance of 909,020 new no-par value bearer shares.

IM Internationalmedia AG prepares consolidated financial statements under sec. 315a of the German Commercial Code in accordance with the regulations set out in International Financial Reporting Standards (IFRS), as required for companies listed in the Prime Standard Segment of the German stock exchange.

## II. Accounting principles

IM Internationalmedia AG's annual financial statements have been prepared in accordance with the regulations of the German Commercial Code (HGB) for large corporations, the German Stock Companies Law (AktG) and the supplementary provisions of the articles of incorporation. IM Internationalmedia AG as the parent company has used the possibility of consolidating the management report and group management report, which is allowed under sec. 315 para. 3 of the German Commercial Code.

## III. Notes to the Balance Sheet

Regarding the development of non-current assets and further details to financial assets we refer to the schedule of fixed asset movements above and the summary of affiliated companies under note (23).

### (1) INTANGIBLE ASSETS

Acquired intangible assets are valued at acquisition cost less depreciation calculated in accordance with the straight-line method. In the event of a presumably permanent diminution in value an extraordinary depreciation is recognized. Software is amortized over a life span of three to five years.

## ( 2 ) F I X E D A S S E T S

Tangible fixed assets are valued at acquisition or manufacturing cost less ordinary depreciation. Tangible fixed assets are depreciated using the straight-line method only. The useful life for other fixed assets, fixtures and fittings is between three and ten years. Economic assets with a negligible value are fully depreciated in the year they are acquired. Extraordinary depreciation is charged if an expected decrease in value will be permanent. Should the reasons no longer exist, the extraordinary depreciation is reversed.

## ( 3 ) F I N A N C I A L A S S E T S

Financial assets are generally recorded at acquisition cost less depreciation.

Shares in affiliated companies contain all shares in Intermedia Film Equities Ltd., London, Intermedia Film Equities USA, Inc., Los Angeles, Pacifica Film Distribution LLC, Los Angeles, Pacifica Film Development, Inc., Los Angeles, as well as all shares in IM Filmproduktions GmbH, Munich, and IM Filmproduktions- und Vertriebs-Verwaltungs GmbH, Munich.

In 2007 book values of financial assets were corrected by 31,826,868.34 euros to be in accordance with the discounted present value of the business plan.

## ( 4 ) R E C E I V A B L E S , O T H E R A S S E T S A N D O T H E R M A R K E T A B L E S E C U R I T I E S

Receivables, other assets and other marketable securities are generally shown at their nominal value. Receivables and other assets in foreign currencies are valued at the lower cost or market principle on the acquisition or closing date. Any default or other risks are taken into account by corresponding valuation allowances.

Receivables, other assets and marketable securities <i>[in €]</i>	Thereof with a remaining term of more than 1 year		Thereof with a remaining term of more than 1 year	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Trade accounts receivable	4,616	4,616	0	0
Intercompany receivables	0	13,318,036	0	0
Other current assets				
Prepayments for development projects	0	3,246,899	0	0
Taxes	512,501	427,367	0	0
Others	1,030,525	266,270	0	0
Other marketable securities	0	5,666,128	0	0
	<b>1,547,642</b>	<b>22,929,316</b>	<b>0</b>	<b>0</b>

In 2007 intercompany receivables and prepayments for development projects were corrected by 16,585,293.68 euros to be in accordance with the discounted present value of the business plan.

Other current assets mainly include demands against a bank for untransferred proceeds from the placement of the warrant bond 2007/2010 and the exercise of attached option rights.

Other marketable securities included a zero bond pledged for the SUSPECT ZERO film loan borrowed from the US state of New Mexico shown under bank loans. The marketable securities were used to repay the loan.

#### (5) CASH ON HAND AND IN BANKS

Cash is reported at nominal value and includes credit balances with various banks in different currencies. Credit balances in foreign currencies are converted at the appropriate exchange rate.

## (6) SHAREHOLDERS' EQUITY

The subscribed capital of IM Internationalmedia AG consists of 5,642,777 no-par value bearer shares with an interest in capital of 1 euro each. Subscribed capital was fully paid in.

The Company held three general shareholder meetings in the year 2007. With resolution of the ordinary general shareholder meeting on June 8, 2007, the Authorized Capital 2004/I was cancelled and an Authorized Capital 2007 in amount of 21,301,906.00 euros was created. No usage of the Authorized Capital 2007 has taken place.

The ordinary shareholder meeting on June 8, 2007 also resolved,

- contingent increase of subscribed capital with regard to the Contingent Capital 2000 partly repealed; the contingent increase by the issuance of new no-par value bearer shares to avail stock option rights of IM Internationalmedia AG's Stock Option Plan 2000 is now limited to an amount of up to 161,000 euros
- contingent increase of subscribed capital with regard to the Contingent Capital 2005/I partly repealed; the contingent increase by the issuance of new no-par value bearer shares to avail stock option rights of IM Internationalmedia AG's Stock Option Plan 2005 is now limited to an amount of up to 400,000 euros
- contingent increase of subscribed capital with regard to the Contingent Capital 2004/I increased; the contingent increase by the issuance of new no-par value bearer shares to owners or creditors of options and/or convertible bonds is therefore increased to an amount of up to 20,740,906 euros.

Forced by the operative and financial consequences of the cancellation of the production of STOPPING POWER, the Management Board had to call an extraordinary general shareholder meeting immediately in September 2007 notifying the shareholders on October 17, 2007 about the loss which was in excess of half of the Company's subscribed capital according to sec. 92 para. 1 of the German Stock Corporation Act.





On the subsequent second extraordinary general shareholder meeting on December 3, 2007, it was also resolved that the subscribed capital in amount of 42,603,813.00 euros shall be reduced by 37,870,056.00 euros to 4,733,757.00 euros, divided into 4,733,757 no-par value bearer shares. The reduction followed the regulation of a simplified capital reduction according to sec. 229 of the German Stock Companies Law (AktG) and equaled a ratio of 9:1 to cover impairments in an amount of 37,410,336.27 euros as of September 30, 2007 and other losses as well as to increase the capital reserve by 459,719.73 euros.

To the end of the business year holders of the option rights attached to the warrant bond 2007/2010 exercised their rights. Through payment of 6,493 options the Company received proceeds in the amount of 999,922 euros whereby 909,020 new no-par value bearer shares were issued. Thereby Contingent Capital 2004/II was reduced to 19,831,886 euros.

As of balance sheet date 84,688 convertible bonds with a nominal value of 20.00 Euros from the zero coupon convertible bond 2005 and 75,405 warrant bond notes with a nominal value of 40.00 Euros from the warrant bond 2006/2011 as well as 52,192 warrant bond notes with a nominal value of 20.00 Euros from the warrant bond 2007/2010 are issued.

Development of shareholders' equity <i>[in €]</i>	Subscribed capital	Capital reserve	Loss/Gain carried forward	Total
<b>Balance at Jan 1, 2006</b>	<b>42,600,493</b>	<b>211,315,659</b>	<b>-190,594,246</b>	<b>63,321,906</b>
Conversion of convertible zero bond	3,320	388		3,708
Net loss			-5,136,809	-5,136,809
<b>Balance at Dec 31, 2006</b>	<b>42,603,813</b>	<b>211,316,047</b>	<b>-195,731,055</b>	<b>58,188,805</b>
<b>Balance at Jan 1, 2007</b>	<b>42,603,813</b>	<b>211,316,047</b>	<b>-195,731,055</b>	<b>58,188,805</b>
Simplified capital reduction	-37,870,056	-210,856,327	248,726,383	0
Exercise of option rights	909,020	90,902		999,922
Net loss			-52,642,467	-52,642,467
<b>Balance at Dec 31, 2007</b>	<b>5,642,777</b>	<b>550,622</b>	<b>352,861</b>	<b>6,546,260</b>

## ( 7 ) DEFERRED TAX LIABILITIES

Deferred tax liabilities were completely reversed because there are no temporary differences between statutory and tax balance sheets of IM Internationalmedia AG and IM Filmproduktions GmbH left.

## ( 8 ) OTHER ACCRUED LIABILITIES

<b>Other accrued liabilities</b> <i>[in €]</i>	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>
Provision for costs of annual financial statements	164,000	151,000
Provision for employee expenses	106,000	69,000
Provision for outstanding invoices	2,000	78,075
Other accrued liabilities	183,333	180,000
	<b>455,333</b>	<b>487,075</b>

Other accrued liabilities mainly refer to deferred amounts for the annual report and the Annual General Meetings.

## ( 9 ) BONDS

In the business year 2007 the Company agreed the issue of a bond warrant with a nominal value of up to 3,000,280 euros of which 1,043,840 euros were placed as of the balance sheet date. The warrant bond is divided in up to 150,014 warrant bond notes with a nominal value of 20.00 euros per note and with a term ending November 29, 2010. Each warrant bond note is combined with a separate option issued by the company providing an entitlement to acquire 140 voting bearer ordinary shares with a share of the company's subscribed capital of 1.00 euro each at a price of 1.10 euros. The options can be exercised for the first time until December 31, 2007.



The bond with warrants issued in 2005 with a nominal value of 1,000,000 euros and the zero coupon convertible bond with a nominal value of 1,679,300 euros also issued in 2005 exist unchanged. The warrant bond 2006/2011 resolved in 2006 was fully placed (3,016,200.00 euros).

The schedule shows the development of the bonds:

<b>Bonds</b>	
<i>[in €]</i>	
<b>Balance at January 1, 2007</b>	<b>3,082,260</b>
Interest expenses of zero coupon convertible bond	161,005
Additional subscriptions of warrant bond 2006/2011	2,763,400
Subscription of warrant bond 2007/2010	1,043,840
Other changes	1,824
<b>Balance at December 31, 2007</b>	<b>7,052,329</b>

Bonds in foreign currencies were valued at the higher of the rate prevailing at closing or transaction date.

## (10) LIABILITIES

Liabilities are generally valued at repayment amounts. Short-term liabilities in foreign currencies have been converted at the higher of the rate prevailing at closing or transaction date. All liabilities have a remaining term of up to one year.

All liabilities arising from accounts payable are to third parties. The other liabilities include mainly tax liabilities, accrued interest expenses for the bonds and liabilities to Supervisory Board members. Accounts payable to affiliated companies are settled via short term loan agreements.

## (11) CONTINGENT LIABILITIES

There were other contingent liabilities in the form of rental and leasing liabilities in the amount of 115,000 euros.

The Company delivered a guaranty to Octave-1 Fund, Ltd., Cayman Islands, to a maximum of 36 million US-dollars for the borrowers Intermedia Film Equities USA, Inc. and Intermedia Film Distribution, Inc. and the guarantors Intermedia Film Equities Ltd., MEI Films Ltd. and Intermedia Film Distribution Ltd.

Further contingent liabilities and guarantees in the amount of 53,000 euros exist as of the balance sheet date.

## IV. Notes to the Income Statement

## (12) REVENUES

Revenues arose from charging management services to subsidiaries in Germany, the UK and the United States.

## (13) OTHER OPERATING INCOME

The other operating income essentially relates to proceeds from VAT returns.

## (14) COST OF MATERIALS

The cost of materials includes solely received services in connection with film productions.



## (15) PERSONNEL EXPENSES

Personnel expenses <i>[In €]</i>	2007	2006
Salaries and wages	358,876	534,439
Contributions and expenses for pensions and benefits	23,009	33,573
	<b>381,885</b>	<b>568,012</b>
Average number of employees during the year	3	4
Number of employees at year end	3	4

The overall compensation of the Management Board members is comprised of both a fixed salary and a variable component. The fixed component is linked to the tasks of the respective member of the Management Board and his performance, taking into account the Board's peer companies and the environment. Variable compensation includes bonus payments and stock options. Bonus payments are granted to the Management Board members based upon both achieving personal goals and corporate objectives. Personal goals are attributed to the tasks of Management Board members. Corporate objectives include the standard benchmarks such as liquidity and earnings figures.

Martin Schuermann received his salary until his resignation from Intermedia Film Equities USA, Inc., Los Angeles. The same applies to the current Management Board member Konstantin Thoeren. In the business year 2007 Sascha Konzack (member of the Management Board from March 15 to November 16, 2007) received a fixed component of 133,000 euros for his management duties and a variable component of 60,000 euros. Therefore total Management Board compensation amounts to 193,000 euros (p.y. 311,000 euros).

## (16) OTHER OPERATING EXPENSES

<b>Other operating expenses</b> <i>[in €]</i>	<b>2007</b>	<b>2006</b>
Impairment of short term intercompany receivables and advanced payments received	16,585,294	0
Foreign exchange losses resulting from operations	738,178	1,145,012
Annual General Meeting	295,508	126,642
Legal and capital market consulting	300,715	428,125
Advertising and representation	86,788	123,961
Insurance fees	100,442	91,222
Supervisory Board	80,000	74,630
Premises (rent, heating, lighting, etc.)	40,877	38,075
Travel and accommodation	36,750	64,885
Annual and quarterly report	30,239	24,677
Other	68,199	85,287
	<b>18,362,990</b>	<b>2,202,516</b>

Other operating expenses include auditor's fees in the amount of 135,000 euros (p.y. 130,000 euros) for the audit of the statutory and consolidated financials. There was no other consulting or due diligence work of the German auditor in 2007.

## (17) INTEREST RESULT

<b>Interest result</b> <i>[in €]</i>	<b>2007</b>	<b>From affiliated companies</b>	<b>2006</b>	<b>From affiliated companies</b>
Income from short-term loans	794,125	794,125	886,366	886,366
Other interest and similar income	55,183	0	212,253	0
Other interest and similar expenditure	-1,102,644	-536,693	-421,699	-168,237
	<b>-253,336</b>	<b>257,432</b>	<b>676,920</b>	<b>718,129</b>

(18) EXPENSES FROM TRANSFER OF LOSSES

Being the legal successor of IM Filmproduktions- und Vertriebs GmbH & Co. KG, IM Internationalmedia AG inherited a profit pooling contract signed on November 22, 2004 between IM Filmproduktions- und Vertriebs GmbH & Co. KG and IM Filmproduktions GmbH. For the business year 2007 IM Filmproduktions GmbH transfers a loss of 4,870,384.52 euros.

(19) DEPRECIATION ON FINANCIAL ASSETS

Depreciation on financial assets includes impairment with regard to the book value of the financial assets, based on the adjusted business plan. Other than in earlier years this is not now shown under extraordinary expenses. For a better comparison the figures for last year have been reclassified accordingly. .

## V. Other information

### (20) SHARE OWNERSHIP

Company	Share [in %]	Shareholders' equity [in K €]	Result [in K €]
Intermedia Film Equities Ltd., London <sup>1)</sup>	100	38,403	-4,441
Intermedia Film Equities USA, Inc., Los Angeles <sup>1)</sup>	100	-55,634	-7,354
Pacifica Film Distribution LLC, Los Angeles <sup>2)</sup>	100	-14	1
Pacifica Film Development, Inc., Los Angeles <sup>2)</sup>	100	-3,633	-15
IM Filmproduktions GmbH, Munich <sup>3)</sup>	100	25	0
IM Filmproduktions- und Vertriebs- Verwaltungs GmbH, Munich <sup>3)</sup>	100	20	-2

1) Amounts for the business year 2007 according to subgroup's financial statement acc. IFRS

2) Amounts for the business year 2007 according to local financial statement acc. IFRS

3) Amounts for the business year 2007 according to German GAAP (HGB)

### (21) EXECUTIVE BODIES

#### 21.1 MANAGEMENT BOARD

The Supervisory Board consisted of three members at December 31, 2007:

Manatement Board	Supervisory Board duties
Konstantin Thoeren (since October 2007)	Chairman from October to November 2007 sole board member from November 2007
Sascha Konzack (to November 2007)	CFO from March to July 2007 sole board member from July to October 2007 CFO from October to November 2007
Martin Schuermann (to July 2007)	sole board member to March 2007 Chairman from March to July 2007

As of December 31, 2007 no Board member holds shares or options of IM Internationalmedia AG.





## 21.2 SUPERVISORY BOARD

The Supervisory Board consisted of three members at December 31, 2007:

Supervisory Board		Profession	Other Supervisory Board Duties
Prof. Dr. Helmut Thoma (since March 8, 2006)	Chairman	Media consultant	Chairman: freenet.de AG, Hamburg Member: PrimaCom AG, Mainz Typhoon AG, Köln Deutsches Anlegerfernsehen AG, Kaulbach
Oliver Kächele (since August 23, 2005)	Vice Chairman	CPA and Tax adviser	Member: PTI Proton Therapy Institute AG, Munich
Ortwin Freyermuth (since November 21, 2006)		Media lawyer	none
Konstantin Thoeren (to October 25, 2007)		Producer	none

In the past business year emoluments paid to the Supervisory Board totaled 80,000 euros (p.y. 75,000 euros). None of the current Supervisory Board members owns shares or options in IM Internationalmedia AG.

## (22) DECLARATION OF CONFORMITY WITH GERMAN CORPORATE GOVERNANCE CODE

IM Internationalmedia AG has issued the statement according to sec. 161 AktG (German Stock Corporate Act) and made it available to shareholders. The statement is published on the website [www.internationalmedia.de](http://www.internationalmedia.de).

## (23) SUMMARY OF AFFILIATED COMPANIES OF IM INTERNATIONALMEDIA AG

	<b>Participation</b> <i>[in %]</i>
Pacifica Film Development, Inc., USA, Los Angeles *)	100,0
Pacifica Film Distribution, LLC, USA, Los Angeles *)	100,0
Intermedia Film Equities Limited, UK, London *)	100,0
Intermedia Film Equities USA, Inc., USA, Los Angeles *)	100,0
T3 Productions Inc., USA, Los Angeles	50,0
Intermedia Music, Inc., USA, Los Angeles	100,0
Intermedia Film Distribution, Inc., USA, Los Angeles	100,0
Intheaters Music Inc., USA, Los Angeles	100,0
Attheaters Music, Inc., USA, Los Angeles	100,0
Intermedia Film Distribution Limited, UK, London	100,0
Intermedia Land Girls Limited, UK, London	100,0
Intermedia Films (JDP) Limited, UK, London	100,0
MEI Films Limited, UK, London	100,0
Intermedia Films (HS) Limited, UK, London	100,0
Intermedia Films (LLL) Limited, UK, London	100,0
Intermedia Film Development Limited, UK, London	100,0
Intermedia Films (Enigma) Limited, UK, London	100,0
Intermedia Music Limited, UK, London	85,0
Dovestar Limited, UK, London	100,0
RPM Guaranty Corporation N.V., Netherlands Antilles, Curacao	100,0
Mindhunters Distribution Limited, UK, London	100,0
If Only Production Services Limited, UK, London	100,0
BI2 Production Services Limited, UK, London	100,0
Alexander Productions Limited, UK, London	100,0
IM Filmproduktions- und Vertriebs-Verwaltungs GmbH, Germany, Munich *)	100,0
IM Filmproduktions GmbH, Germany, Munich *)	100,0
Crosscall Limited, UK, London	100,0
Millennium Media Works, Inc., USA, Los Angeles	100,0
Gordian Productions Limited, UK, London	100,0
Meredith Services Limited, UK, London	100,0
Intermedia Film Distribution 2004 Limited, UK, London	100,0
Intermedia Worldwide Distribution, Inc., USA, Los Angeles	100,0
Intermedia Film Finances, Inc., USA, Los Angeles	100,0
Magic Men Limited, UK, London	100,0
SBIB Productions Limited, UK, London	100,0
Intermedia Film Distribution 2006, Inc., USA, Los Angeles	100,0
Intermedia Film Finances 2006, Inc., USA, Los Angeles	100,0

\*) Direct participations, all other are indirect participations

( 2 4 ) S U B S E Q U E N T E V E N T S

Effective March 1, 2008, the Supervisory Board of IM Internationalmedia AG has appointed Mr. Sascha R. Prestel as new member of the Company's Management Board. He is responsible for the areas finance and investor relations as well as communication, administration and human resources.

After balance sheet date holders of option rights attached to the warrant bond 2006/2010 have exercised their rights. Through exercise and payment of 13,489 options the Company received proceeds in the amount of 2,077,306.00 euros whereby 1,888,460 new no-par value bearer shares were issued. Thereby Contingent Capital 2004/I was reduced to 17,943,426.00 euros.

As of March 7, 2008 the Eluvium Holdings GmbH, Munich, has reached a voting rights share of 37.04 percent in IM Internationalmedia AG due to the exercise of options. Eluvium Holdings GmbH, Munich, has made the notifications in accordance to sec. 35 para. 1 in conjunction with sec. 10 para. 3 of the Securities Acquisition and Takeover Act (WpÜG). Eluvium Holdings GmbH will publish a mandatory offer for the remaining shares in IM Internationalmedia AG after receiving the approval from the Federal Financial Supervisory Authority (BaFin) for the offer documents.

( 2 5 ) A P P R O P R I A T I O N O F R E S U L T S

The Management Board intends to carry forward the declared net loss of IM Internationalmedia AG.

Munich, March 19, 2008  
Management Board



Konstantin Thoeren  
*Chairman*



Sascha R. Prestel

# Responsibility Statement



"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Munich, March 19, 2008  
Management Board

Konstantin Thoeren  
*Chairman*

Sascha R. Prestel

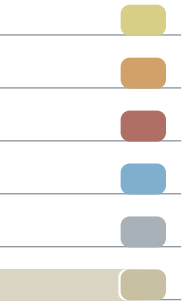
# Auditor's report

(Translation - only German text is authoritative)



"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the IM Internationalmedia AG, Munich, for the business year from January 1st to December 31st, 2007. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards



for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

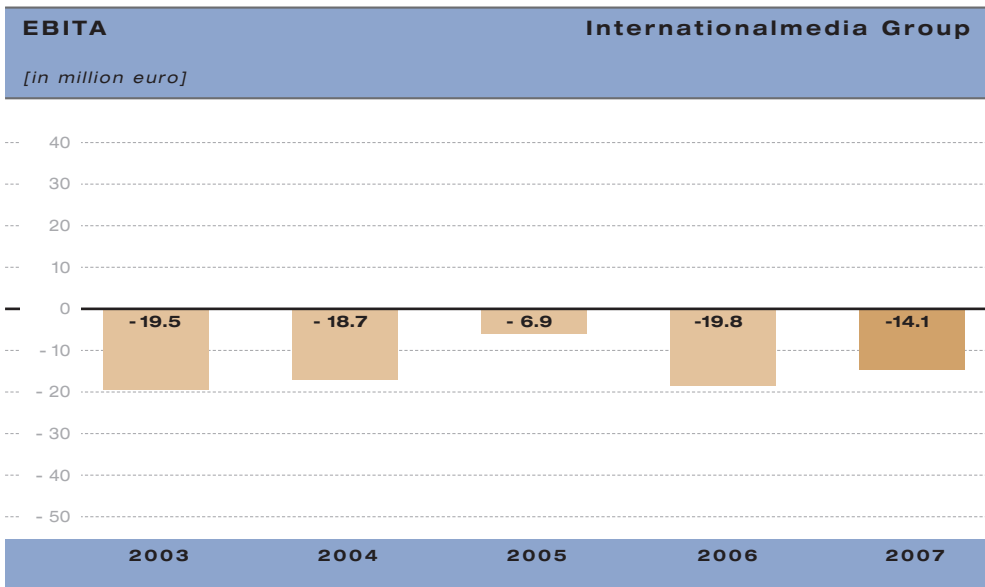
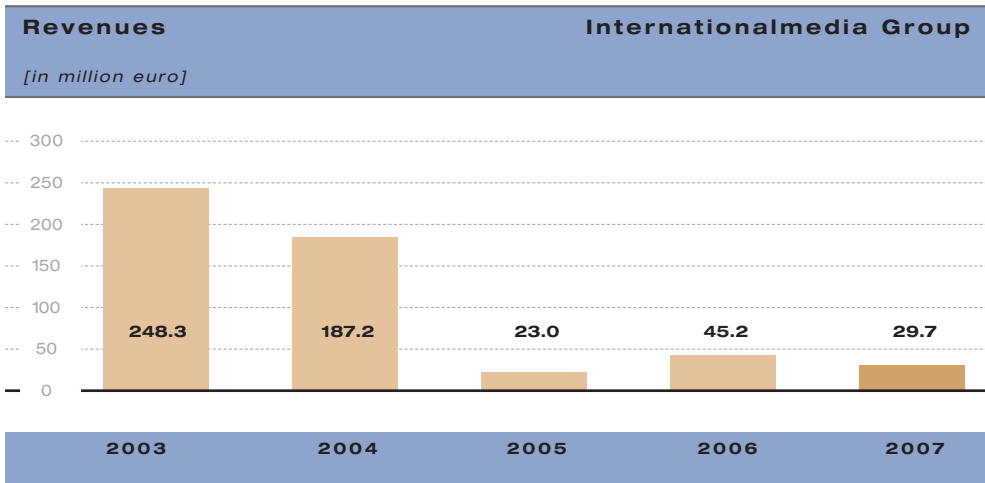
It is our duty to draw attention to the fact that the existence of the company is threatened by the risk described in the section "Risk Management - monetary risks" of the combined management report. To secure its liquidity, the company is reliant on achieving its forecasts and the related cash-inflows as well as the effective reorganization of the debt financing structure. Significant variances from the cash-flow forecast or the failure to reorganize the financing structure could lead to a cash shortage which would threaten the existence of the company unless financing can be secured from another source."

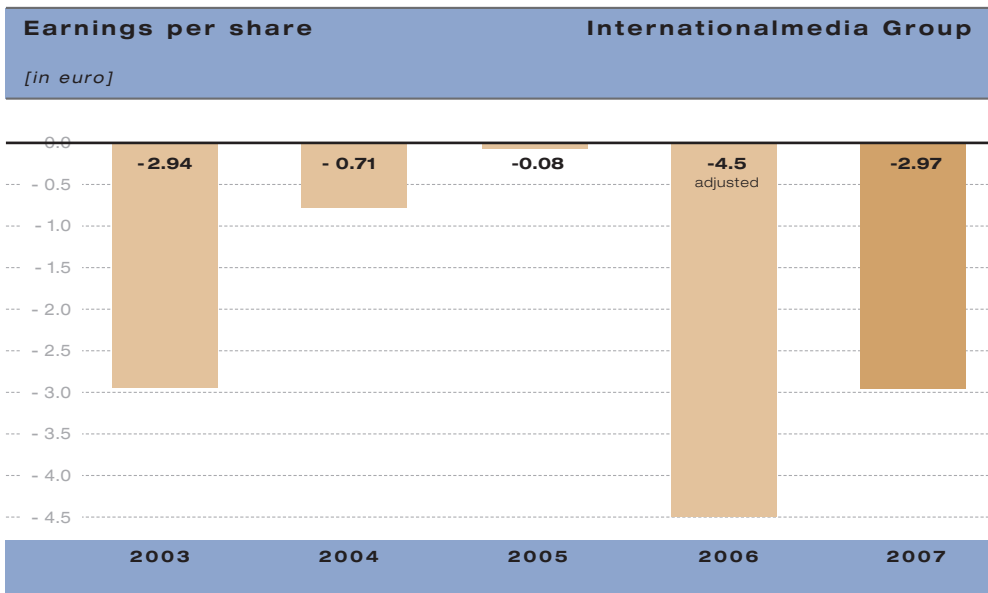
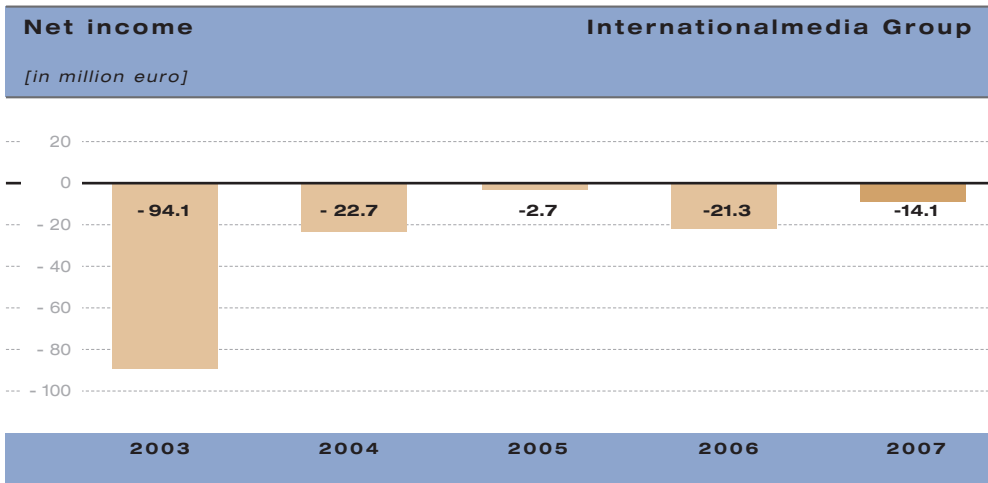
Munich, March 20, 2008

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Andreas Fell  
German Public Auditor

ppa. Katharina Deni  
German Public Auditor





**AFM**

American Film Market

**Blockbuster**

Very successful film (in the USA from box office takings around 100 million US-dollars, in Germany from at least 3 million viewers)

**Blu-Ray Disc**

Another format succeeding the DVD along with HD DVD.

**Box Office**

Proceeds from the sale of cinema tickets.

**Completion Bond**

Completion Guarantee of a film granted by an insurance company.

**Copyright**

An exclusive right to publish and sell literary, musical, or artistic work.

**DVD**

"Digitale Versatile Disc" is a digital storage medium for films which has already largely replaced video tapes.

**EBIT**

Earnings Before Interest and Tax

**EBITA**

Earnings Before Interest, Tax and Goodwill Amortization

**EBITDA**

Earnings Before Interest, Tax, Depreciation and Goodwill Amortization

**EPS (Earnings per share)**

Net profit per share. This value is used to determine the P/E ratio (price/earnings ratio).

**Event film**

Film that shows additional potential for sales outside of the cinema (product placement, video games, etc.).

**Exploitation stages**

Generally compromise the exploitation rights for cinema, video/DVD, pay-TV, free-TV, merchandising and soundtrack.

**Film assets**

Value of the film rights portfolio of a private or legal entity.

**Film library**

Portfolio of film rights owned by a producer or distributor.

**First-Look-Deal**

Agreement on the first offer of films or rights (see also output deal).

**Free TV**

Television financed by fees and advertising (see also pay TV).

**Genre films**

Horror and action films, comedies (with a budget usually below 20 million US-dollars)

**HD**

High Definition (TV, DVD)

**Home Entertainment**

DVD and Video (sale and rental)

**IFRS (International Financial Reporting Standards)**

Accounting standards promulgated by the International Accounting Standards Committee (IASC). They were previously also called IAS.

**Independent distributor**

Film distributor not tied to a major studio.

**Internet-TV**

World wide web supported TV broadcasts.

**Library**

Portfolio of film rights owned by a producer or distributor.

**LoI**

Letter of Intent

**Major Studios**

US-studios with worldwide distribution (Warner Bros., Disney, Columbia TriStar, Universal Pictures, Paramount, 20th Century Fox).

**Market capitalization**

The value of a company measured by the value of its share on the stock exchange.



**Merchandising**

Film-related articles for sale (e.g. T-shirts, toys, etc.)

**Minimum guarantee**

Also has to be paid if a film is unsuccessful and is equal to the purchase price of the rights in a film. If the film is successful, a proportion of the proceeds from exploitation also has to be paid.

**Multiplex cinema**

Cinema with several (approximately 6 to 20) theaters of varying size.

**Net Profit Participation**

Participation in the proceeds arising from the net profit on a film (e.g. by actors).

**Output-Deal**

License agreement on all productions that are produced by a film producer or studio within a specified period of time.

**Overages**

Additional income from film revenues.

**Owned Films**

Films in which a film distributor generally holds rights unrestricted by time.

**Package business**

License Agreement on a film package, comprising several productions.

**Participations**

Payments to talents participating in the film.

**Pay TV**

Broadcasting television programs that can be received on payment of a monthly fee (see also Free TV).

**Post Production**

Completion of the film via music, cut, special effects etc.

**Pre-sales**

Licence agreements that are contracted before shooting starts (e.g. only on the basis of a film script, the cast and the budget).

**Prime Standard**

Market Segment of the Frankfurt Stock Exchange requiring increased admission and transparency criteria.

**Production alliances**

Contractual agreement between a producer and a distribution company on realizing film projects.

**Residuals**

Certain payment obligations.

**Second-Look-Deal**

Agreement on the second offer of films or rights (see also output deal).

**Serviced Films**

Films whose rights may be used by a distributor limited by time.

**Soundtrack**

Compilation of specially composed or selected music titles that represent a specific film.

**Split-Rights-Deal**

License agreement for singular exploitation chains.

**Straight distribution deal**

Revenues depend on box office.

**Studio Deal**

Output deal with a major studio for domestic (US) distribution.

**Territory**

Individual countries to which film rights are assigned.

**Value added chain**

Includes film development, financing, production and distribution.

**Video-On-Demand**

Broadcasting transmissions (e.g. films) that can be triggered by individual order.

**Web-TV**

See Internet-TV



## Financial Calendar

### **May 15, 2008**

Publication of the interim report  
for the period January 1 to March 31, 2008

### **July 11, 2008**

Annual General Meeting/Munich

### **August 14, 2008**

Publication of the interim report  
for the period January 1 to June 30, 2008

### **November 14, 2008**

Publication of the interim report  
for the period January 1 to September 30, 2008

### **March 31, 2008**

Publication of financial information  
for the business year January 1 to December 31, 2008

### **July 2009**

Annual General Meeting/Munich

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